

COMMITTEE ON FINANCE

May 7, 2001

7:00 PM

Mayor Baines called the meeting to order.

Mayor Baines called for the Pledge of Allegiance, this function being led by Alderman Clancy.

A moment of silent prayer was observed.

The Clerk called the roll. There were fourteen Aldermen present.

Present: Aldermen Wihby, Gatsas, Levasseur, Sysyn, Clancy, Pinard, O'Neil, Lopez, Shea, Vaillancourt, Pariseau, Cashin, Thibault, Hirschmann

Messrs.: Julie Pittenger, Jean Calender, Erica Flewiling, Lynn Hebert, Kevin Clougherty, Robin Decoteaux, Howard Tawney, Terry Desrosiers, Harry Ntapalis, Gabriela Walder, Dave Hodgen

Mayor Baines addressed item 4 of the agenda:

4. Continuing discussions relative to FY2002 budget requests as follows:

Anthem BC/BS/Benefits

Mr. Tawney stated each of you has a packet of handouts and basically I would like to walk you through this evening; that we were addressing the health care costs on the budget process that we have for the City; that HTE has a budget module and we take the actual data from payroll and create the budget file; that this projects costs for compensation and benefits and depending on when the budget file is created it will actually calculate out pending pay raises and changes as we go through the year until the new budget year stated and then we'll actually calculate what the rate increases for pay are for the new budget year; that when we create the new payroll projection reports from this budget files we send those out to the departments and they are reviewed by the departments and they sign off on them; that on page 3 you'll notice the assumptions for the budget this coming year for FY02. The budget is based on a full complement of all employees considering that Anthem Blue Cross is our provider and that vacant positions are budgeted for

the Anthem Blue Choice Family Plan. This year Anthem Blue Choice has increased 10.75%, Matthew Thornton Blue, which is our HMO, has increased 30.29%. The co-pay for those taking Anthem is 12.5% and for Matthew Thornton is 5%. For the budget year FY01, which we are in right now, the budget reserve is \$500,000 and for the upcoming budget I set aside, as a reserve, \$665,000.

Alderman Gatsas asked where is that in the Mayor's budget

Mr. Tawney replied it's in the Mayor's budget, it's in HR for a portion of it and the remainder is interspersed throughout the departments and I'll show you as we go through.

Alderman Thibault asked has any other companies been invited to bid.

Mr. Tawney replied yes. When we put out our RFP (Request for Proposals) we send it out to...we ask for Letters of Interest and received letters from four companies: Anthem Blue Cross, the Municipal Association's Health Insurance Trust (NHMA) and CIGNA and School Care which also uses CIGNA. This particular slide is so complete, I cannot show it. One of the questions that the Board had asked us as part of our previous meetings was that they wanted to be able to look and see why the various departments had the changes that they had. As we look here we can see between the years FY01 and 02 as the Library is at the top of the list here we can see that between the two years the employees...we had ten taking a single plans in each of the years (in 01) in Blue Choice we had four and the change to five on the second budget year and likewise in the Family Plan we had one person taking Family Plan and in FY02 we had five people taking the Family Plan. As we look at this we have to realize that the budget file that we create is a snapshot of what it was on the particular day when the file is created.

Alderman Gatsas asked does that mean that there were five additional people hired in the Library.

Mr. Tawney replied no; that means that people changed plans from one to another.

Alderman Gatsas stated so they went from 15 people to 20 people and no additional employees took plans. So, there either had to be new hires...

Mr. Tawney replied yes, new hires...people left, new people coming on taking different plans.

Mayor Baines interjected it doesn't mean there are more people it's just the mix changes.

Alderman Wihby stated I don't understand that.

Mr. Tawney stated through turnover.

Alderman Gatsas stated if you have 15 people in 2001, it can't be a different mix in 2002 unless you added employees.

Mr. Tawney asked why not. We have 60 employees in the Library, something like that, is it. And, as they switch...some of them take Matthew Thornton and as people leave some people, if we look at Finance...down at the bottom what happened was that two people has Family Plans and their replacements came in and took no coverage whatsoever. So, they went and had a net decrease in their costs.

Alderman Wihby asked could you just go through the lines, so we'll know. In Library is says 4 two's, 1 family...so there's five people on Blue Choice and then six and ten on Matthew, 5, 6 & 10 and that's the number of employees in the department...

Mr. Tawney replied that had health care that year when that budget file was created, yes.

Alderman Wihby stated so it is not all of the employees, it's just some of them do and some don't and the next column down the following years are the numbers that have it now...it could be someone deciding that they want coverage that didn't have it before or there could be one or two new employees, but it is not the total number of employees in the department.

Mr. Tawney stated no, not the total number of employees, it's just those that had health care on that particular day. We have some 500 to 600 changes that come in in any one-year. People have children, kids grow up, they go off to college. Things change at home, so people change their health care coverage. Likewise their dental.

Alderman Shea asked if someone works for the School Department and someone works for the Fire Department does the City carry both of them, are both of those people covered by the City.

Mr. Tawney replied they would be both covered by the City, but the City has had a policy in the past that because both work for the City, we do not charge them for their health care; that is an issue that the Board should consider as far as if you want to consider continuing that policy; that policy is under the union contracts

with past practice, so it would not be open to change until the next union contracts would come under negotiations.

Alderman Thibault asked are we saying that no one in the City pays any part of the insurance, is that what's we're saying.

Mr. Tawney replied no; that is for when both...

Mayor Baines interjected a single employee is at 12.5%, if you have two people working for the City (combined plans) then there is no payment involved.

Mayor Baines stated what I would like to do is try to get through as much of the presentations as he is prepared to get through them.

Mr. Tawney continued by stated here we show actually the total participants as we look at the sub-totals down here in each of the plans in the plan year and we see for a grand total: participants for 2001 (967) and for 2002 we had about (972) and in actuality there is about 1,173 people on average that are eligible for health care coverage.

Alderman Pariseau in reference to the 1,173 that are eligible stated they're all receiving coverage, right.

Mr. Tawney replied no. They are eligible; they may have health care with their wife somewhere else, some other...

Alderman Pariseau stated I thought there were double employees.

Mr. Tawney stated as part of the questions that Alderman Gatsas had asked us about the \$500,000 in last year's budget, this is a copy of a letter that Mark Hobson had sent to the Board indicating after review we had come up with a total year's cost or to be budgeted for at \$5,927,944. This shows the distribution throughout the City and we can see at the bottom here the \$5,927,944. I would also point out that \$355,487 was in HR and that was made a part of our reserve. All of these numbers were reduced by the half-a-percent, which was later voted on by the Board.

Alderman Gatsas asked where is the \$500,000 that was in reserve.

Mr. Tawney replied let me show you on the next slide. This is a spreadsheet that we worked up for each of the departments. It was done in May of last year where this was the latest information that we had and we came up with a number for the actual premiums of \$5,418,000 for the entire city and then...and that was utilizing

the working rate and then utilizing the maximum working rate we came up with \$5,927,000. The difference between the two spreadsheets is \$500,000...\$5,418,000 to \$5,927,000.

Alderman Wihby asked is each number higher is that how you got to it or is there \$500,000 put in one place.

Mr. Tawney replied in the negative and stated this is the maximum working rate for the plan. This is the difference between your reserve and what your premiums would be.

Alderman Wihby asked so what number did we use.

Mr. Tawney replied we used the \$5,927,944.

Alderman Wihby asked so is the reserve in this number.

Mr. Tawney replied in the affirmative.

Alderman Wihby asked but it is all calculated from all the different departments it is not in one lump sum.

Mr. Tawney replied in the affirmative.

Mayor Baines stated Wayne Robinson could get your other presentation back up and running when you are ready.

Mr. Tawney stated most of the rest of the material comes out of the...

Alderman Vaillancourt asked so would it be fair to say that the City has no control over whether somebody takes Anthem Blue Choice or the Matthew Thornton Plan they could choose whichever they want.

Mr. Tawney replied in the affirmative.

Alderman Vaillancourt continued and would it also be fair to say that if this Board wanted to raise the copayment price we are contractually prohibited from doing that.

Mr. Tawney replied this year. In the coming year we could negotiate that and that would be part of bargaining.

Alderman Vaillancourt asked so we have no control over any of this.

Mr. Tawney replied in the affirmative.

Alderman Thibault asked the increases that have happened in the last year or so we have no control over that. In other words, in the last contracts that we signed with these people we told them that any increase that comes up we are going to pay.

Mayor Baines replied it is a percentage that is negotiated in the contracts.

Mr. Tawney replied one of the things that we need to understand is this is a cost plus contract. In other words, it is based on the cost of our claims and the cost of administration and the stop laws. The claims are all of the bills that come in. The stop laws is like a large deductible on your home insurance only our insurance deductible is \$100,000...we have to pay everything in between. The administrative charge is for them to process the bills and so forth.

Mayor Baines stated his question was in terms of the individual payment there is a certain set percent and that was his point. So if you are a teacher or worker that is under contract you pay 12.5%.

Alderman Thibault asked an individual who works for the City whether it be a teacher or whatever he pays 12.5% and we pay the rest.

Mr. Tawney replied in the affirmative. That is negotiated by contract.

Mayor Baines stated if the premium goes up obviously the cost goes up for both the person paying it and the City on a percentage basis.

Alderman Clancy asked are all departments paying 4.5.

Mr. Tawney replied all departments are paying the same price and that was one of the major goals of last year's negotiations to get them all on the same plan and all paying the same. I would like to do one more thing before I do that...Julie Pittenger who is here from Mercer and Company who evaluated our bids. Along with her is assistant Jean Calender and they would like to talk a little bit about the evaluation.

Ms. Pittenger stated thank you very much for having us. At the request of the City this past fall we did a financial evaluation of the bids that were received from Blue Cross/Blue Shield and NHMA and we were asked to develop some recommendations from a financial perspective of the two bids that were received. My colleague Jean Calender was instrumental in that process so I am actually

going to ask her to walk through the exhibits that you have in the packet in front of you beginning with a memo dated March 12, 2001 and behind it are several exhibits that Jean, at a high level, going to walk you through.

Ms. Calender stated if you would turn to page 24 what we did was we did was a side by side financial comparison comparing Blue Cross to NHMA. This exhibit compares Blue Cross to NHMA. NHMA is rated with the City and schools combined. If you flip back two pages we have another exhibit that compares Blue Cross to NHMA with NHMA underwriting the City and schools separately. Page 26 shows them separately. Then on page 28 we have our findings, which I will go through. For Anthem Blue Cross Blue Shield that is current plan in place right now we found that they have an extensive provider network. The disadvantages are that Anthem's fees on average 11.1% higher than NHMA on a self-insured basis. On an insured basis the average premium rates are 5.4% higher than NHMA. When we look at NHMA the health insurance trust the advantages are they have the lowest fees, which we just, went through. There would be no provider disruption if we were to switch to NHMA because it is the same network that is currently in place. They offer a more comprehensive wellness program. However, the one drawback is that due to a non-compete clause with Blue Cross you could never go back out to bid and include Blue Cross.

Ms. Pittenger stated the nature of their non-compete arrangement perhaps Lynn Hebert could even speak to it more is such that if the City went through NHMA for the coverage that would preclude them from every going back out to bid the same process for example and include Blue Cross Blue Shield in that process.

Ms. Hebert stated just to clarify beyond that is once you are in NHMA it would have to be by all parties. NHMA the City and Blue Cross whether we would allow you to get a direct quote from Blue Cross again. One of the reasons is we do not want groups jumping back and forth into these associations. NHMA did write a letter stating that if you went in for this year they would not allow you to get a quote direct from Blue Cross for next year. Is that saying ever...no, but as long as we have the partnership with them. If you left and went to Cigna or another carrier and then wanted a direct quote from Blue Cross you could receive a direct quote at that time.

Mayor Baines asked so it would be as long as you had a partnership with them that restriction would be in place.

Ms. Hebert replied in the affirmative and stated and as long as you stayed continuously under Blue Cross and Blue Shield.

Alderman Wihby asked so if we went with them who is actually stopping us from getting a bid from Anthem.

Mayor Baines replied Anthem is.

Ms. Hebert stated it is both of us. That is the idea of our partnership with them is that we would not keep quoting against eachother. It is not in the best interest of our clients as well every year.

Alderman Wihby asked so is it fair to say that if we went with Anthem that we could not bid with them the following year either.

Ms. Hebert replied in the negative and stated it is not. You can bid through NHMA.

Alderman Wihby asked but anytime that we go to them we just cannot go back to Anthem to get a bid the following time. Why is it not the same both ways.

Ms. Hebert replied unless all parties agreed. It is just part of our contract with NHMA. It is a decision that we made when we started this partnership with them for a five-year period.

Alderman Wihby asked Howard did we check to see if NHMA is willing to not have that clause put in.

Mr. Tawney replied in the affirmative and stated they were not willing to change that. I talked with them and they went to their Board of Directors and they said no that they would not violate this agreement that they had with Anthem.

Mayor Baines stated it is basically because they are creating a pool and they do not want a big entity like Manchester to come in and out of it. Is that basically the essence of it or could you explain what the essence of that agreement is.

Ms. Hebert replied that you would really have to check with NHMA on their reasoning behind it. I could tell you that it is to do with our partnership that we do not...we have to all work together if someone is going to bid outside of NHMA but you would have to check with NHMA.

Alderman Wihby asked why is there a difference in price then if they are using you anyway. Why is there an 11% difference.

Ms. Hebert replied they have their own rating, their own actuarial, their own underwriter. They are a different pool and so we actually administrate it for them. So we administer process the claims and they pay us an administration fee.

Alderman Wihby asked so your administration fee is higher to us than they are charging us basically.

Ms. Hebert replied it is not all an administration some of it is the stop loss.

Ms. Pittenger stated things like administration, which would be a fixed monthly cost per employee per month. Stop loss would be a similarly funded number. It is the claim cost that would really be the same because we are talking about the same network of Blue Cross Blue Shield providers. So it really is as you said the administrative component the fixed cost is less under NHMA as they proposed then it would be under Blue Cross.

Alderman Wihby asked where there were four proposals and one of them did not come in on time so did they ever bid.

Mr. Tawney replied we did not open it. We consulted with the City Solicitor's Office and Finance...

Alderman Wihby asked so we do not know if it was cheaper or not.

Mayor Baines replied in conversation with this it is around 29% on the more expensive plan.

Mr. Tawney stated that is what I was told by Mark Bate from William Mercer.

Mayor Baines stated I confirmed that with Mr. Hobson.

Alderman Thibault asked I am a little confused with this...is that some type of a price fixing.

Mr. Tawney replied we checked with the City Solicitor's Office and they said they could do that.

Alderman Thibault stated maybe we should check again. When I was in charge of the insurance committee years ago on this Board we had a right to go and ask anyone to come in with a bid and either accept it or refuse it. Now it seems that we are locked into two people and whatever they say we have to agree with.

Mr. Tawney stated no we have the right to go out and ask them for their bid. They have an agreement between themselves that if we go with NHMA that Blue Cross will not give us a bid. That is their agreement.

Alderman Thibault stated that is price fixing...I do not care how you look at that because you cannot do that and you should not do that.

Mayor Baines stated I do not think it is quite that but...

Alderman Thibault asked but what is it, Your Honor, I believe that everyone who is able to provide this kind of service should be able to provide it for the City and that is where the problem has come here in the last several years. There is a problem with the way our rates are going up right now and it is because we have given specific people the right to bid. If we went out to other companies we might see a major difference.

Alderman Hirschmann asked my question is for the Mercer and Company employees...the actual claims themselves the administration and the stop loss...but claims are broken out and administration and stop loss are lumped together. Should we see what administration are actuals for administration and our actuals for the stop loss.

Ms. Pittenger replied we certainly could provide that to you for the purposes of the conciseness of the exhibit. The fixed costs were shown together but we certainly could provide that number.

Alderman Hirschmann stated in my opinion I think the administration fee or portion of this service is where the "fat" is.

Alderman Vaillancourt asked on page 29 the recommendation it says that the City's primary objective is to reduce expenses in the short term the NHMA program is the better alternative. So let's just assume that that is our goal...how much would we save with NHMA program in the short term being one year.

Ms. Pittenger replied we could show you the exhibit that reflects that most on page 24.

Alderman Vaillancourt asked I noticed that even though that would save us on the short term you are not recommending that.

Ms. Pittenger replied that is correct and certainly the City's longer term goal really is much more a consideration at this point and due to the nature of the NHMA/Blue Cross Blue Shield exclusivity arrangement, our recommendation

would be for the longer term not to preclude yourself from being able to include Blue Cross again later.

Alderman Vaillancourt asked so we would be “gambling” in a sense that we would save in the short term but lose in the long term.

Ms. Pittenger replied there is a potential for that. You could also potentially win in the short term and lose in the long term if you went with NHMA because we do not have any guarantees on these costs after next year.

Alderman Vaillancourt asked but we also, as we eluded to earlier, next year we will be able to renegotiate and perhaps get the employees to “kick in” a bigger percent is that correct.

Mr. Tawney replied in the affirmative and stated the issue is that...

Mayor Baines stated the answer is that it is a negotiated item and is something we could put on the table during negotiations and obviously there would be give and take during the bargaining. It is not something that we could absolutely guarantee but it would be part of the negotiations if the Board set a direction with that.

Alderman Vaillancourt stated there are no guarantees in life.

Alderman Lopez stated Alderman Vaillancourt sort of answered my question but I just want to understand...we are asked to go out and you looked at both and in your professional opinion could you just tell us a little bit about yourself so that we understand.

Ms. Pittenger replied I certainly could tell you a bit about us personally in our experience but also what Mercer’s function has been with the City to date. I am a consultant with William Mercer in Boston. I have been in the consulting field for about ten years and we consult organizations both public and private on their health plan programs and how they share in the cost of those programs with their employees. We have functioned in an advisory capacity with the City. I am not sure how many years we go back I would say five or more years and have on a variety of occasions provided sort of ad hoc consulting but also generally most years assist the City in the review of their health plan renewal for each fiscal year and assessed the reasonable fees and do our own estimate of claims based on the experience that Blue Cross Blue Shield is able to provide to us.

Alderman Lopez asked in your professional opinion, on page 29 that is what you are recommending.

Ms. Pittenger replied that is our recommendation based on the materials provided in the proposals that were submitted and provided to us.

Alderman Shea asked I would just like to follow-up a little bit...the composition of the company that we are dealing with now (Blue Cross Blue Shield) has changed from a non-profit to a profit type of arrangement. In your judgement, will that continuously impact the cost that the City will have to pay in terms of premiums. In other words, we are dealing with them as a profit company for the first time so is there a lock-in type of situation whereby the City could say within certain parameters the premiums will stay or could they sort of continuously increase the premiums to a point where obviously it could be difficult for us to meet our obligations.

Ms. Pittenger stated that is a very good question. I am honestly not sure how the profit or non-profit status of an organization would feel into what sort of guarantees you might see in terms of your costs. I can tell you that you are not alone in seeing sizable cost increases year over year. The accounting internally within the organization of Blue Cross Blue Shield has changed. It may well be that the way things are itemized needs to be done differently based on the change in their status. But I would venture to say that there is not going to be a direct correlation certainly between the change in their status and what you see happen to your insurance cost. Keeping in mind that the largest driver of your costs are the actual claims your employees incur. We are not talking about fixed cost insurance that you are rated with everybody else. We are talking about claims that your employees are generating based on their healthcare needs. A very small portion of the total is actually fixed cost that would include things like profit.

Alderman Thibault asked I wonder if in fact we could ask Harry Ntapalis to explain the reasons why the costs have gone where they have.

Mayor Baines stated Alderman, what I would like to do is we have the rest of the people in front of us questions they could respond to then we will go forward and have Harry and Kevin and others that have participated provide that additional information. I think Alderman Gatsas just wants to focus on the people from William Mercer. I would like to wait until we get to that point we do have these people here and they are here to answer questions from us.

Alderman Gatsas asked when did you do the analysis.

Ms. Pittenger replied the analysis was conducted in the late fall of 2000.

Alderman Gatsas asked has the contract been awarded to Blue Cross.

Ms. Pittenger replied that is a question for Howard.

Mr. Tawney replied in the negative and stated as we looked at it that we have not signed any agreement to award the contract.

Alderman Gatsas asked by the procurement code did you negotiate any further with the low bidder.

Mr. Tawney replied we had Mercer negotiate with both bidders.

Alderman Gatsas asked was anybody from the City present.

Mr. Tawney replied in the negative.

Alderman Gatsas stated so we put the City's future in Mercer's hands.

Ms. Pittenger stated the negotiation that is done can be done in a situation like this on the fixed cost so we are talking about the stop loss insurance and the administrative fee.

Alderman Gatsas stated but I believe this Board never through a recommendation of Mercer put the stop loss insurance into effect from last year, which would have saved the City a considerable amount of money.

Ms. Pittenger stated it was just a change in the make-up of the stop loss. Stop loss insurance was already included I just do not know that we had specific and aggregate or we did have specific and aggregate and I believe the change was made in the level. I was not involved in that discussion.

Alderman Gatsas stated there was no immediate change made in the level. The level came from this Board not from Mercer. That is why my concern is that we allowed Mercer to negotiate a contract that never in the past with a self-insured plan did they ever come forward to put in the stop loss.

Ms. Pittenger continued we are talking about the fixed cost which would really be any sort of negotiation point with either Blue Cross or NHMA and that is really a very small portion of the total cost of the cost of the program to the City and its employees. So, yes, in fact you did put your trust in us to go do that as your trusted advisor. We feel we did the best possible job we could on behalf of the City and that is what you pay us to do. That is what we did do on behalf of the City for those fixed costs that were negotiable. That is really the degree to which we could negotiate was purely on the fixed cost.

Alderman Gatsas asked in your professional opinion, I believe that last year the administration fee (ASO) was I believe 1.6 million dollars. We started talking about this last year. It really is not a Blue Cross Blue Shield plan do you agree with that.

Ms. Pittenger replied I am not sure I understand what you mean by that question.

Alderman Gatsas asked the City is self-insured to 115% of premium. The only thing that Blue Cross Blue Shield does with the plan is pay the claims. We dictate what is going to be in that plan and a written document in terms of coverage. If I tomorrow were to say here is a card that says the City of Manchester on it or Blue Cross Blue Shield on it here and I was going to go to a physician based on the same product would there be any problem with the claims being paid.

Ms. Pittenger replied I would not envision there being a problem. If you went to a physician and had a card in your hand that said City of Manchester or Blue Cross Blue Shield.

Alderman Gatsas stated because the plan is a fully self-insured plan is there any problem with an employee in the City of Manchester or the School District getting any less coverage if they have that card.

Ms. Pittenger replied my understanding is that you have a program with Blue Cross Blue Shield that has been designed to some degree for the City certainly there are certain coverages that the City would like to have covered in one way versus other organizations that might like it to be covered another way. Because of the nature of the funding arrangement you certainly would be in a position to make exceptions if you felt the City needed to in plan design because it is your own money. If I am understanding your question correctly and I am still not sure that I am are you asking me whether the City's plan is a Blue Cross plan.

Alderman Gatsas replied in the negative and stated I am trying to make it to bring down to simple denominator first of all so that whoever is watching this understands that the claims that are paid by the City even though there is a Blue Cross Blue Shield card attached to it are really City dollars.

Ms. Pittenger stated that is correct.

Alderman Gatsas continued and there is no difference than that employee getting paid at 100% of the claim if he has a Blue Cross Blue Shield card or a City of Manchester card.

Ms. Pittenger stated if the employee has a Blue Cross Blue Shield card that is the same plan, as the City of Manchester plan there should be no difference.

Alderman Gatsas asked in your professional opinion based on the amount of claims that are paid by the City do you think that the administration fee is exorbitant.

Ms. Pittenger replied unfortunately I have not been the individual that did the negotiation because of the change in date here and this evening my colleague was unable to join us tonight but our understanding based on our most recent renewal which really this proposal represents...the fee was not exorbitant.

Alderman Gatsas stated in other plans that you have do you believe that the fee being somewhere in the vicinity of almost 12% for straight administration with no risk is that a high percentage for judicating claims.

Ms. Pittenger replied I do not think it is an exorbitant percentage. It probably is on a higher end for most of our client base. But I think based on the activity of claim that the City sees and that Blue Cross Blue Shield sees it may well be much more reasonable.

Alderman Gatsas asked what is the lower end that you would consider that you see.

Ms. Pittenger replied I would not think there would be anything under 10% or 11%. We are really splitting hairs when we get to percentages of dollars like that.

Alderman Gatsas stated so what you are saying then is that the fee that the trust brought forward of about \$500,000 difference is not strictly an administration.

Ms. Pittenger replied I could not tell you what the difference is in their fee. Their fee is admin. and stop loss and that is what Blue Cross Blue Shield gave us. The fixed cost is admin. and stop loss so that if that is the distinction in \$500,000 then that is what we are talking about.

Alderman Gatsas asked tell me how they can possibly do it. That would be almost a 30% difference in fees from what you have seen. So it would not be 10% or 11% compared to 12%.

Ms. Pittenger replied you have to actually ask NHMA on that. I am not in a position to answer for them.

Alderman Gatsas asked then how do you say to me that it is 10% or 11% when we are seeing.

Ms. Pittenger replied I am actually telling you what our client base across the entire country of all organizations and funding arrangements generally see. It is really difficult to back into a number based on what we are talking about here.

Alderman Gatsas asked when you did the comparison basis did you have year-to-date on numbers for losses.

Ms. Pittenger replied we had the information that was provided in the bids, which I believe, represented the period of time that Blue Cross Blue Shield proposed for us was certainly July 1, 2001. We just want to check the actual months covered and what they had given us. Blue Cross Blue Shield is closest certainly to their claim projections and the claim dollars since they see them every month. That was the estimate that was used.

Alderman Gatsas asked in their prospectus that they provided is there a section in there for looking for discounts for the City or providing discounts.

Ms. Pittenger asked discounts on what.

Alderman Gatsas replied medical.

Ms. Pittenger asked discounts on actual claim payments...that would be something certainly that the City could go directly to Blue Cross to do but typically by provider negotiation is done directly with providers. Discounts are fixed with providers based on the network. Blue Cross Blue Shield would contract directly with providers in a given service area for negotiated discounts on various services. One organization is not going to see for the same provider not going to see a different organization see discounts on some other organization using the same health plan using the same provider.

Alderman Gatsas asked does Blue Cross Blue Shield have a SAS70 have you checked that.

Ms. Pittenger replied I do not know the answer to that question. I could certainly look it up for you.

Alderman Vaillancourt asked as a result of the information elicited from Alderman Gatsas I am wondering once again how you could recommend that the NHMA is not as good a proposal considering that there are about 30% less.

Ms. Pittenger stated on the fixed cost only. We are talking about that being the differential...

Alderman Vaillancourt continued so what in the future could change so that they would become less advantageous in the future. How do you project in the future that we might be more at risk.

Ms. Pittenger replied what it all comes back to is the nature of the relationship between NHMA and Blue Cross Blue Shield. Until this exclusivity is not in place anymore a recommendation would be to stay with Blue Cross Blue Shield.

Alderman Vaillancourt asked but there must be some empirical evidence that you have that in the future something might change to endanger us what is that.

Ms. Pittenger asked how do you mean I might have some empirical data that...

Alderman Vaillancourt asked I mean you would not recommend something just on the fact that there might be some nebulous threat that it could go up in the future.

Ms. Pittenger replied it is not a nebulous threat and there is really not a threat. We are talking about is the market place in New Hampshire is very definitely confined to a handful of organizations. To provide the City with the amount of flexibility that they would like in both plan design, funding the relationship that the City has built with Blue Cross and Blue Shield, our recommendation is not to let that go by the wayside and jeopardize the future of that possible relationship to save in the very short term with no guarantee over one year versus the next that those fixed costs under NHMA will not escalate.

Mayor Baines asked so if there were more providers in the State so the factor that there are only two or three major providers does that drive part of your concern.

Ms. Pittenger replied that just has a bearing on the decision in terms of who do you want to remove yourself from considering in the future and do you want to really limit yourself to not being able to consider Blue Cross and Blue Shield by making the short term decision to move to NHMA.

Alderman Vaillancourt asked well I would think in the future I would want to consider the most effective as I would now so what evidence do you have that in the future this might not be as cost effective.

Ms. Pittenger asked that NHMA might not be as cost effective.

Alderman Vaillancourt replied in the affirmative.

Ms. Pittenger replied we have no guarantee of its cost effectiveness and that is part of the problem is because we have no guarantees from them of cost year over year we have no guarantees that cost will not escalate. I just want to make one other point again which is we are talking about your claims are 90%. Your claims are your claims no matter how you slice and dice it so your administrative fees are fixed that is true. NHMA administrative fees are less but the claims are the claims.

Mayor Baines stated your point is that you would not know because you would not be able to go back and see. Last year when we went to the Municipal Association they could not beat the cost. They analyzed the situation and they came to the conclusion that they could not give us the same price just last year, Alderman Vaillancourt.

Alderman Vaillancourt asked but the fact, Your Honor, that you are saving this money with NHMA only on the 10% proves that they are much more effective on the margins.

Ms. Pittenger replied that might well be I do not have the break out of how they have estimated this percentage of admin. fee as to where they allocate dollars versus others. The nature of the trust is such that they have other organizations for whom they fund and who they facilitate healthcare coverage of the municipalities for whom they do this.

Alderman Vaillancourt asked and if Manchester with such a large number of people involved in the plan came in might it not even lower their cost more.

Ms. Pittenger replied that is a question for NHMA. We do not have the data to support a theory behind that.

Alderman Thibault asked Your Honor, I would just wonder if this Board could take a few seconds to let Harry Ntapolis explain as to why our insurance is where it is today. Just a few minutes to have him explain that...Harry if you would I would appreciate that. He does Worker's Compensation but he also knows about this and that is why I would like him to answer that. If you have any questions you could ask him.

Mr. Ntapolis stated with the Alderman he was the Chairman of our insurance committee some years ago and I did have the privilege of working with health insurance and most of these people on the City's program for eight years running that was about three years ago when that ended but by and large there had been some significant changes made that maybe would shed a light and be helpful to

everybody here historically speaking and I think this is where Alderman Thibault is coming from. You have what has been established a utilization driven program. It is cost plus program. The City, in fact, with the self-insured programs such as this is really its own insurance company. What Blue Cross is doing by and large is administering they are acting as a third party claims administrator and they have done so for a number of years. Some of the changes that have taken place though in the last three years that may have driven the rates up were additions to the coverages that were once held in the contractual arrangement had been increased. Obviously with an increase in a certain type of coverage the likelihood that people that are subscribers are going to make use of it happens probably more frequently. The other aspect at one time there was a six-month wait period if you would on new hires. Right now if you hire an individual to work for the City of Manchester the first of the following month they can access insurance coverage for them and their family. That also helps drive the pricing. Again when you get involved in re-insurance treaties for stop loss insurance and what Blue Cross offers though is a product of their own for stop loss coverage and depending on how you do it whether it is specific or individual or a complete aggregate program again this cost could be involved based on the utilization. The bottom line comes down to this...about three years ago when you were talking administration fee utilization just was not up there significantly enough. You probably ran 7% or 8% on the high side. As the years have gone by and these additional coverages have been accessed obviously the utilization is climbing so Blue Cross Blue Shield's increase only comes in step with how our employees are using that particular coverage. That is pretty much where that stands.

Alderman Hirschmann asked my question again is for Mercer and Company...you said your company analyzes insurance business across the nation.

Ms. Pittenger replied in the affirmative.

Alderman Hirschmann continued now municipalities across the nation how many would you say are self-administered.

Ms. Pittenger replied I could certainly find that information for you. We have national survey information. There are definitely some that are self-administered. I have had experience with several in Massachusetts that are self insured although no recent experience in the past year or two to compare year over year cost increases. We are certainly a Boston based office so I would have to do a little research to determine overall nationally what we are seeing to make a uniform comment around that issue. But my experience has been many cities and municipalities are self-insured.

Alderman Hirschmann stated my quote to the Board is going to be the City is in the position where our administration fees are starting to go into the millions of dollars and quite frankly maybe in the future we should administer our own health coverage because we pay our own claims anyway. Then there would be municipal employees getting paid to administer our own plan because this is getting a little "pricey".

Alderman Levasseur asked would that be a recommendation that you would make or would you rather not.

Ms. Pittenger replied I do not necessarily think it is something that we would recommend until we really determine the feasibility of that being taken in-house both from a financial and a resource prospective here at the City.

Alderman Levasseur stated as far as the Mayor's point about there only being a couple of insurers in this State do we have to stay within our State or do we have the option of going outside the State, Your Honor. I know for Worker's Compensation there are only a couple of providers but I am wondering why that would be an issue. What keeps us within our boundaries.

Ms. Pittenger replied what you are doing by contracting with an organization for healthcare whether it is just self-insured like you are or are there any other funding arrangement is that you are using a network of doctors that are contracted with by an organization generally headquartered here in the State. National organizations would really go through the same process for example a national Blue Cross or a national CIGNA would have a local headquarters here whose network you would be tapping into.

Alderman Levasseur asked so that is how they lock it up themselves. They lock it up in their own areas themselves.

Ms. Pittenger stated it is locking it up and that there are other health plans that compete for the same positions. It might even have some of the same positions in their network. We hope that would work that is great competition.

Mr. Ntapolis stated NHMA several years ago had come to the City of Manchester late in a very competitive market and they were interested very much in the City of Manchester adding into their insurance grouping the health insurance program as well as Worker's Compensation and the other casualty line. We went into a very lengthy process with them as to receiving quotations very similar in nature to what Blue Cross Blue Shield obviously was providing to our labor groups only to find that we are within maybe \$15,000 as it came down to the final analysis in the overall program. There was the same prod on the board that maybe for continuity

sake to work with the people that we have been at on a more negotiated structure and everybody sharpened their pencils and we were able to stay with Blue Cross and it was by design as well as the insurance advisor's recommendation at the time William Mercer and low and behold that following year when rate renewals came to 200 other municipalities and townships they had a tremendous underwriting error and that error was passed along to all the other members that were involved in NHMA. So you are taking a gamble by hopping in and out and again there is not that many individuals that would provide a group our size with the kind of coverage that we need.

Alderman Wihby asked Howard, when we went out to bid do we advertise or do we contact anybody that was out there.

Mayor Baines replied go through the process that we did to do out to bid.

Alderman Wihby asked I am surprised for instance Comp Funds did not put in a bid is it because they did not know about it.

Mr. Tawney replied Comp Funds did not do health insurance at the time. They have since taken on school care, which we did go out to and sent out a bid and they are under the Cigna umbrella. It was their bid and also Cigna's own bid that came in late.

Alderman Wihby asked so there was one bid between the two of them.

Mr. Tawney replied I presume there may have been two in the box type of thing.

Alderman Wihby asked do we know what they bid because you did not open theirs either.

Mr. Tawney replied no we do not.

Alderman Wihby stated but the Mayor is saying that Cigna was higher so could we assume that Comp Funds was higher too.

Mr. Tawney replied in the affirmative and stated the information from Mercer was that Cigna was considerably higher.

Alderman Wihby asked and Comp Funds.

Mr. Tawney replied they were all...it is like NHMA and Blue Cross.

Alderman Wihby stated well so we got two different bids for Cigna and Comp Funds.

Mr. Tawney replied in the negative and stated they were in the same box but I do not know if there were two separate bids or not.

Ms. Pittenger stated they were returned back to the City after the conclusion of our analysis of just the two we were asked to look at. The number cited by the Mayor I cannot substantiate because I do not have those materials in front of me but we would be happy to do that if you would like us to.

Alderman Wihby asked Mayor, how did you know it was more.

Mayor Baines replied I got it from Mark Hobson.

Alderman Wihby asked we had possession of the bids.

Ms. Pittenger replied I believe you have possession of the bids.

Mr. Tawney replied in the affirmative and stated they are right there.

Alderman Wihby asked and since you went out in November if you went out now would you get a better bid by everybody.

Mr. Tawney replied I went to Blue Cross as part of the process with Mercer as part of the process as where they were evaluating the bid. We said has our claims history been any better and if that in the past sometimes it was that we were able to get a lower rate. As they started to do the claims experience and looked at it the numbers were coming out worse. So instead of allowing them to go through the complete process I stopped it halfway through or towards the end and because once it was completed we would have to live with that new claims experience.

Alderman Wihby asked so you do not think that if we went out again now we would get a better bid.

Mr. Tawney replied no I do not.

Mayor Baines stated I corresponded with Mr. Hobson about this and he presented me something and it says "Cigna informed us that their bid was close to 29% above Blue Cross Blue Shield insurance payments, approximately 10-15% above the Anthem bids".

Alderman Shea asked I would like to follow-up on Alderman 12's comment...is it a Herculean task for a City to administer their own programs. In other words, do you have to have computers set up, certain types of expertise in different areas in order to do this or...could you explain a bit about that.

Ms. Pittenger replied there is certainly the cost of any claim payments system that you probably would need to invest in some software that would enable you to make claim payments. You would need to set-up a shop to actually receive the actual claims by mail or however you would anticipate receiving the claims that they now send I am assuming directly to Blue Cross. You would also need to staff the office so the direct cost of their salaries and their benefits. Maybe you would pull from your internal resources already to do that but that is another consideration. I would not call it Herculean. It is a rather large undertaking for your employee base. The number of unions that you have and the complexity of your plan design really makes it a bit more complicated than it might for another organization.

Alderman Shea asked do you have a handle on how many people at Anthem handles our administrative costs.

Ms. Pittenger replied that is a question for Anthem and maybe you could reserve your question for them.

Alderman Gatsas asked I am looking at an analysis here and just going from what last year's numbers were. The administration fee for an individual on Blue Choice Plan I was \$20.16. The stop loss was \$1.26. This year the administration fee and the stop loss combined is \$37.95...excuse me that is on II let me find I.

Ms. Pittenger asked could I just back up to the first numbers you cited...were they from the renewal from last year.

Alderman Gatsas replied that is from the renewal from last year.

Alderman Lopez asked do we have that information for clarification.

Alderman Gatsas replied that is from last year, Alderman.

Alderman Lopez stated then we should all have a copy of what you are talking about.

Alderman Gatsas stated I got it from my package from last year. This year it is \$37.95.

Ms. Pittenger asked are we talking the same stop loss arrangement.

Alderman Gatsas replied that is up to you to tell me.

Ms. Pittenger stated but I do not have the numbers that you are citing in front of me so I would want to make sure we are comparing apples to apples.

Alderman Gatsas asked did we change the stop loss this year from last year.

Ms. Pittenger replied I do not know if you did. I think you were talking about negotiating that.

Ms. Hebert stated in July of 2000 you did not have an individual stop loss so you added that. So when you look at the renewal numbers prior...I think I have what you are looking at, Alderman Gatsas, the renewal from last year the first numbers are without the stop loss. The second numbers are with the individual stop loss and it is a higher fixed cost because Anthem takes on more of a risk because you are adding that \$100,000 stop loss per individual contract. Prior to that we do not have much of a risk up until the 115%.

Alderman Gatsas asked what do you have for numbers then.

Ms. Hebert replied you said \$20.16 and \$1.26 that was previous to adding the \$100,000 individual stop loss.

Alderman Gatsas asked what do you have for numbers with the new numbers that increase it.

Ms. Hebert replied this was for last year up until June 30, 2001 the administration went from \$20.16 to \$21.60 the stop loss went from \$1.26 to \$13.74 so your fixed cost did rise because adding that \$100,000 stop loss.

Alderman Gatsas asked why am I looking at the stop loss as \$1.50.

Ms. Hebert replied I am not sure what you are looking at.

Alderman Gatsas stated I am looking at the administration fee \$21.85 on the renewal and the stop loss of \$1.50.

Ms. Hebert asked are you looking at the City all or City schools there are so many pages from last year. I do not have the same as Alderman Gatsas.

Alderman Gatsas stated "City all" is \$21.66 and \$1.52.

Ms. Pittenger stated and I think that is without the specific stop loss is what she is saying. I think we have located the page you are looking at, Alderman, and I believe that is with no specific stop loss...the stop loss number you cited.

Alderman Gatsas stated well I guess this is...the date on the top of the fax is May 3, 2000. I would think that is the new rates.

Ms. Pittenger stated if I recall correctly I believe that Blue Cross last year and most years provide scenarios for the City to consider so that may have been one of many pages of scenarios provided certainly to Mercer and I am assuming to the City because we generally get a copy of what gets sent to the City.

Alderman Gatsas stated I do not have anything else other than the date is May 3rd information.

Alderman Vaillancourt asked could you just tell us how many of the cities and towns in New Hampshire use the NHMA of the 200 or so cities and towns. Do you have that figure. Would it be a few or a lot or in the middle.

Ms. Hebert replied the Municipal Association probably has the majority of the schools and cities in their trust. There are a few that are separate such as the City of Manchester and a couple of other large cities. But they do have the majority in the trust.

Alderman Vaillancourt asked so maybe not Nashua.

Ms. Hebert replied Nashua is direct with Anthem Blue Cross and Blue Shield.

The committee recessed for five minutes.

Alderman Gatsas asked on the aggregate stop loss did you do an actuary of what you thought it was going to be.

Ms. Pittenger replied I do not believe that we did no. This is for the renewal for July 1, 2000, correct.

Alderman Gatsas replied in the affirmative.

Ms. Pittenger continued I do not believe that we did that was really directly between the City and Blue Cross and Blue Shield.

Alderman Gatsas asked did Blue Cross Blue Shield do the aggregate for the renewal this year.

Ms. Hebert replied we have not it is not the year-end. We do have some data on how many claims have hit over \$100,000 but we will not know for sure until after the June 30th. Now last year when you added the \$100,000 basically what we did is we provided information to the City on how many claims had hit over \$100,000 in the past year.

Alderman Gatsas asked so when you provided the...because I do not have the information on the aggregate in here or the increase in the stop loss in the documents that I have from Mr. Hobson so obviously that was privy information that only a few people got because it was not in this group and I do not think any of the other Aldermen got it in their paperwork. But my question is obviously looking at the stop loss aggregate from the year that we were in which is paperwork that I have here shows that we were at about almost \$800,000 or \$900,00 over and above the \$100,000.

Ms. Hebert replied in the affirmative and stated that was last year.

Alderman Gatsas stated that is where you came up with the \$13.00 to increase the stop loss on the front.

Ms. Herbert replied in the affirmative and stated for renewal last year the City requested that we come up with a rate for adding the \$100,000 stop loss so our stop loss is based on the claims that we have. It is a filed number that we use. It is a pooled number for all cost plus groups or self-insured groups. We provided that rate to the City. As I said earlier, the reason it goes from the \$1.00 up to \$13.00 is because Blue Cross and Blue Shield is taking on more of the risk up to that \$100,000. Anything over the \$100,000 it is on Blue Cross and Blue Shield.

Alderman Gatsas asked on a per claim basis.

Ms. Hebert replied on a per certificate basis. So if you have five people in the family the \$100,000 is per individual certificate.

Alderman Gatsas asked so that means all five of them go over \$100,000.

Ms. Hebert replied in the negative and stated per certificate so if you have...

Alderman Gatsas asked per insured.

Ms. Hebert replied in the affirmative.

Alderman Gatsas asked the increase in the stop loss...well let's just talk straight on administration fee. The administration fee from...so if I just did some simple math and maybe you could help...the increase of \$12.50 for the amount of claims that we are at we are probably just about going to break even by putting the stop loss in effect.

Ms. Hebert replied from the data that I have right now you will probably...if it continues...it will probably be just about break even. What we have looked at is through March of this year.

Alderman Gatsas stated so if this Board decides and we want to reduce the stop loss we could decrease the premium by about \$600,000.

Alderman Hirschmann asked so why not do it.

Alderman Gatsas replied because if we pick up a year like we did last year it was \$8.39 so we were protecting by paying \$5.50 we were protecting \$3.50 however if we have a year like this year normally they run in three-year cycles. We should have two down years according to...is that the way it usually runs.

Ms. Pittenger replied I am not an underwriter so I could not speak to the rules around it. I think as Lynn had pointed out certain portion of the rates were based on your own experience as part of a pool. I think you probably would be willing to bet that the trend that you saw this year could feasibly be repeated.

Alderman Gatsas asked but the numbers that I am looking at at this point and obviously there has to be a reason why is that the self-insured plan and the fully insured plan...what is the total cost for a self-insured plan for a single.

Ms. Pittenger replied for the 100% and the 115% City of Manchester including the schools the rate that is on here is the \$310.15 that is including your claims, your admin. and your stop loss.

Alderman Gatsas asked what is the fully insured portion on the same single plan.

Ms. Pittenger replied I do not have the fully insured.

Ms. Hebert asked you mean the fully insured rate equivalent or do you mean the fixed costs.

Alderman Gatsas stated the fixed cost for Matthew Thornton. Do we have a fully insured...

Ms. Pittenger stated however in this proposal in the bid that was sent out last year the Matthew Thornton HMO is actually going self-insured as well. So the entire Blue Choice and Matthew Thornton for July 1st will be self-insured. That was at the request for proposal when the bid was done.

Alderman Wihby asked on page 27 does it say that the Blue Choice for fully insured is \$329.00

Alderman Gatsas asked who made that decision.

Ms. Pittenger replied as far as self-insured for the HMO that was what was in the bid for the request for proposal. You will have to talk with Howard.

Mr. Tawney stated that was the direction from the Board last year. That is what you wanted us to go out for.

Alderman Gatsas asked what were the rates last year for the fully self funded plan and for the fully insured plans for two singles.

Ms. Pittenger replied I could give you the rates however I think they might be in the package that Howard presented to you. I do not see them in that package do you want...the Blue Choice single \$280.50 is last year's rate. Matthew was \$194.68.

Alderman Gatsas continued and the new rates for those two plans.

Ms. Pittenger replied the Blue Choice is \$310.15 and the Matthew is \$253.65.

Alderman Gatsas asked self insuring the Matthew Thornton at 100% increases the premium by some 30% for the City to take more of a risk in the claims run. What has your normal increases been for Matthew Thornton on any other groups.

Ms. Pittenger replied it varies depending on the size of the group and their claims experience. Most of ours I have seen anywhere from a 12% to a 35% increase and even higher. I am not an actuary so I could not tell you exactly but that is just from what I have seen.

Alderman Gatsas stated I would have thought that Human Resources would have gone out with three different bids fully insuring the whole program to find out

what that looked like. Self insuring the whole program like we have and a quote based on what we had in the past.

Mr. Tawney replied we did go out and get the fully insured plan and the self insured and we asked the bidders to any other scenario they would offer.

Alderman Gatsas asked if I am looking at this exhibit 4 that I have in front of me on page 27 the Matthew Thornton portion is \$253.65 that is self insured. The fully insured is \$265.07.

Ms. Pittenger replied in the affirmative and stated the numbers you stated is...the first one is the self-insured rate and the bottom one is the fully insured rate.

Alderman Gatsas stated so basically for an additional \$250,000 roughly that we could be into the fully insured Matthew Thornton Blue with no risk.

Ms. Pittenger replied did you say to pay \$250,000 more you would have no risk is that what you are basically saying. I did not run through the numbers with you but assuming I agreed with calculations you just did I could say yes.

Alderman Gatsas stated the calculations I took the \$265.07 in the individual fully insured plan subtracted \$253.65 because that is the self-insured plan. That is about \$12.58 and multiplied that times 12 times 632 and came out with \$36,683.00 for that group and did the same thing for the next two...

Ms. Pittenger asked in other words you took the \$5,923,000 that is shown on the bottom half of that grid and subtracted the \$5,668,000.

Alderman Gatsas replied in the affirmative and stated and that is without negotiating anything.

Ms. Pittenger stated under a self-insured arrangement all you would be negotiating is the fixed costs so your claims estimate is the claims estimate there is really no negotiation on that component.

Alderman Wihby asked the fixed cost being 1.7 million.

Ms. Pittenger replied I do not have that number in front of me where the 1.7 million came from but it is the ASO fees and stop loss column indicated there at the top.

Alderman Gatsas stated let us understand one thing if we are looking at a number of expected claims and that is why this comparison I am surprised it is on the same

sheet because expected claims for Matthew Thornton Blue on a self-insured plan is \$218.85. If that is the expected claim the administration fee at that point jumps dramatically from \$218.85 to \$265.07 which is the fully insured plan. That is \$47.00 in administration fee.

Ms. Pittenger replied well for a single we are talking about \$12.00 per person...that is the difference in the full rate.

Alderman Gatsas stated expected claims are \$218.85 that is what they are expecting a single to produce for claims. On a fully insured plan the amount is \$265.07.

Ms. Pittenger replied well \$265.07 includes administrative costs, the risk that they have taken on by insuring the rest.

Alderman Gatsas stated which is about \$47.00 per person. So how does the administration fee go to \$47.00 and the risk, which is what they are expecting on claims go from \$34.80 to \$47.00.

Ms. Pittenger replied I would have to look at the detail the underwriting that they provided. I do not know that we got that level of detail in the work-up of the fully insured renewal versus the admin. component.

Alderman Gatsas stated because expected claims is expected claims that is not going to change on either side.

Ms. Pittenger stated we would not expect it to be different.

Alderman Gatsas stated and I would assume that the administration fee should be roughly the same if not less if it is a fully insured plan.

Ms. Pittenger replied we would have to ask Blue Cross the question.

Ms. Hebert stated when you are looking at a self-insured and fully insured there are different factors when the underwriter does her rating. There is pooling charges, expense margins that would possible be in the fully insured that are not in a self-insured. I do not have all of the components here tonight but I could get those for you. There are different factors as they are rating this.

Alderman Gatsas stated but expected claims is expected claims that is not going to change on either side.

Ms. Hebert replied in the affirmative and stated the expected claims are not but your stop loss, administration and any other retention fees that are included in a fully insured that would not possibly be included in a self-insured. Again it is all from the underwriting standpoint and I would be happy to get all of those factors for you.

Alderman Levasseur asked after going through this for the last couple of hours with you, have you come up with any other different ideas or opinions.

Ms. Pittenger replied in the negative and stated I do not think we would change our recommendation. I think we have had a lot of really good discussion and some really very good questions.

Alderman Levasseur asked with Alderman Gatsas pursuit I think what is your suggestion compared to the Matthew Thornton Blue or do you also want to wait for some more factors. Do you think maybe we should switch to Matthew Thornton instead of the Blue Choice. Alderman Gatsas is showing us the difference in the prices is pretty substantial. Or would you rather wait until we get some more factors.

Ms. Pittenger replied we are actually talking about is just changing the funding arrangement of the plan you have now. So certainly with the nature of the cost that has been proposed on the self-insured basis from the cost perspective it certainly seems to be more advantageous to pursue Matthew Thornton on a self-insured basis.

Alderman Levasseur stated I would just hate for you to have to walk out the door and not have any kind of a...

Ms. Pittenger stated our recommendation would be that the entire thing be self-insured based on the competitiveness of the proposals that we received.

Alderman Cashin asked are we going to adjourn and invite these people back and if so, why.

Mayor Baines replied unless there is something during the process where the Board says we would like to bring them back in I am assuming this would be the last time they would be before us.

Alderman Cashin asked Alderman Gatsas, are you satisfied at this point or do you want to pursue this.

Alderman Gatsas replied I think this Board needs to make some decisions. One, whether we really care if we could bid with Blue Cross Blue Shield at a later date because that is \$500,000 or close to it if not more and we have not even negotiated with the low bidder, have we Howard.

Ms. Pittenger replied we are talking about the component of fixed costs that we could negotiate on...we could certainly go I am sure back again and ask the question but they are sitting right here.

Alderman Gatsas stated I am talking about the trust.

Ms. Pittenger replied to go back to NHMA...I do not know what your opinion is, Howard, but I am thinking we have gone back as much as we could go back but we could certainly try again on the City's behalf if you would like us to. I just want to stress again it is really only one year worth of guarantee of anything...not even guarantee but your claims are your claims if the admin. cost are less which they proposed as such we really only have the fiscal year of 2001-2002 that there is any guarantee on that. So there is always a possibility that we see it increasing in the following year. So just weigh that into your discussion and your decision process.

Alderman Gatsas stated I hear what you are saying...increasing by how much because I have not seen Blue Cross Blue Shield go down from last year.

Ms. Pittenger replied I couldn't tell you what NHMA is going to tell you next year. I do not think anyone here could do that but I think they would be very interested in getting the City's business so it may well be that there have been some investment made. We do not really have any way of knowing that.

Alderman Gatsas asked Your Honor, is there any way we could bring them in.

Mayor Baines replied we could ask.

Alderman Gatsas stated and ask them to "sharpen their pencil" and come in with the best deal they have.

Mayor Baines stated we could certainly ask if that is the will of the Board.

Ms. Pittenger stated we really function in that capacity too. We would like to get the best deal we can for the City. We have exhausted our efforts. We would be happy to go back on your behalf or if you want to go directly we could certainly facilitate that for you or just excuse ourselves all together.

Mayor Baines stated I would talk with the Chairman about a different approach.

Alderman Wihby asked for instance self-insuring Worker's Compensation a lot of carriers lost competition because somebody went self-insured and they lasted there a year or two and they ended up coming back to the carriers. Is that basically what we are seeing here they are going to give us a one-year lowball number and then knowing that Blue Cross cannot bid again...

Ms. Pittenger replied again I want to stress that the lowball number is an estimate of...the only number that would fluctuate with any decision on NHMA's part is this fixed admin. component. Your claims are your claims so if that sky-rockets it will regardless of who is administering the program.

Alderman Wihby asked so when we see the sheet of paper that says it is a half million dollars savings it is not really a half million dollars.

Ms. Pittenger replied in the negative and stated in this example it is a half million dollars on the fixed cost. All I am saying is that if things escalate beyond that or up to that level in just claims cost that is something that is beyond your control.

Alderman Wihby stated that would change on either side.

Ms. Pittenger replied in the affirmative and stated you could actually see a better year. I do not know if I answered your question.

Alderman Wihby stated everybody wants to save a half million dollars but I do not know if you would want to do it subjecting ten million dollars for the next four years afterwards or whatever it is.

Ms. Pittenger stated that is exactly what the discussion has been around.

Mr. Tawney stated Alderman Wihby I would like a comment from David in regards to changing the plans if that was the case we are going to do because I do not think...

Mayor Baines stated I do not think we are talking about that. We are not talking about changing the plans, Mr. Tawney.

Mr. Tawney stated I know, but NHMA is the issue.

Mayor Baines stated I see what you are saying...I get your point and I apologize to you.

Mr. Hodgen stated there have been some rumors that there is a slight difference in the coverage between the Blue Choice coverage and the NHMA coverage. Most of the contracts say that the City could change the providers as long as the benefits are not reduced. It is likely, I think, that some of the unions would challenge a change as a reduction in benefits and they might prevail at arbitration or before the Public Employee Labor Relations Board on an unfair labor practice complaint.

Mayor Baines asked were some of the changed related to the prescription drugs. As I recall the discussions the changes related to prescription drugs being generic. Be concise but deal with that issue. That is the major difference, am I correct on that, Lynn.

Ms. Hebert replied in the affirmative.

Mr. Hodgen replied perhaps that could be negotiated with NHMA I am not sure, I have not been involved.

Mayor Baines stated that is what we are dealing with, as we understand it with the difference between the two. The difference between you are able to get a choice of the brand name versus the generic. Am I correct on that, Lynn.

Ms. Hebert replied basically and I am not an NHMA...I have just looked at the benefits summaries and they are quoting the exact same benefits with the exception of their prescription drug. Their prescription drug on the Blue Choice has a 10-5-1 it is called. And I believe NHMA is 3-15. You have a brand and generic and they have a mail order as well so it is a little bit different than the Blue Choice but other than that the benefit plan design is the same.

Mayor Baines stated it would require sitting down with the unions.

Alderman Gatsas stated but there is nothing that says they cannot come with the same plan.

Ms. Hebert stated you would have to talk with NHMA.

Alderman Gatsas stated that is the City cost. Obviously if we reduce the plan from 15 to 10 it is more encumbrance to the City. Let's not make it sound like it is a drastic change in the plan because it is not. All you are saying is that if I go in and I get a brand drug it costs me \$10.00 with Blue Cross Blue Shield. If I go in with the trust I could still get the \$10.00 and the \$5.00 is going to be a charge back to the City.

Ms. Hebert replied their co-payment amounts are different. And again I am not NHMA so I really think you need to either have Howard explain what the benefit is or look at the benefit summary. There is a difference. Is it drastic, no I personally do not believe it is drastic but it is a change to be aware of.

Alderman Cashin asked Your Honor, this Board has to know what the change is and whether it is drastic or not. We have to know because we could get ourselves into an awful bind.

Mayor Baines stated we could get that detail for you. Howard, do you have anything to add on this subject.

Mr. Tawney replied not at the moment but I could have the information for you.

Alderman Thibault asked the contract that we have with you people is it a two-year contract, three-year contract, a one-year contract with Blue Cross Blue Shield right now.

Ms. Hebert replied it is on a one-year contract.

Alderman Wihby asked so it has already expired.

Ms. Hebert replied it runs until June 30, 2001 so the rates we are talking about today start July 1, 2001.

Alderman Wihby asked so when Howard went out with all this information on trying to decide you are going to be looking for a vote sooner or later probably in this budget cycle to go one way or the other.

Mr. Tawney replied in the affirmative.

Alderman Levasseur asked would it be prudent for us instead of going on one-year contracts to lock ourselves in for a longer term contract and get a much better locked in rate of increase over a term. Instead of getting hit with these one-year 18% if they were to lock us in at five-years at 3% each year we would save substantially and they would know where we are going to be and they would know that their income is going to be in there.

Ms. Pittenger replied that is generally an avenue that we pursue in our negotiations. Keeping in mind that we are only talking about any guarantees on the fixed costs not on the total rate so we are only talking about increases on a number that is 10% or 12% of the total.

Alderman Levasseur asked so that is all they would agree to then is just the fixed cost.

Ms. Pittenger replied it is all they are responsible for because your claims are your claims.

Alderman Levasseur asked have we pursued that avenue among cities.

Ms. Pittenger replied we have negotiated. I am not sure if you have directly, Howard, but certainly my colleague Mark Abate has done that and generally we do that for all of our clients because we like to be able to in a situation like this where your costs are variable year to year primarily because of your funding arrangement we like to fix as much as we possibly can. There is less flexibility and less reward in doing that because we are talking about such a small portion of your total cost but we definitely have pursued that avenue and could do it again and ask Blue Cross again to fix that component of their cost year to year.

Alderman Levasseur stated that is something, Your Honor, that we should probably pursue that and see if we could lock that in. At least we could be a little bit more in control of what these rates are going to be. It seems to benefit everybody. If everyone knows where we are going to be from year to year instead of going through this year to year whatever increase they want to hand down to us.

Ms. Pittenger stated from the City's perspective it absolutely makes sense to pursue it. It is just a matter of Blue Cross Blue Shield feeling comfortable in committing to numbers over the course of a period of time.

Alderman Levasseur stated we do not only have to do that negotiation. We sent an RFP last year and we could have included an RFP with maybe some longer term commitments in there with other companies.

Ms. Pittenger stated that probably was asked. I do not have the RFP document.

Ms. Hebert stated we have many clients that ask for more than a one-year guarantee and basically our...currently the way Anthem handles that is we will work with the client on it. However, because of the volatility of the market and what is happening in the insurance industry we have not really given a lot of more than a one-year rate guarantee. We have given out some and we would be more than willing to sit and talk with the City about it. But there is drastic changes happening in the industry and it is very hard to lock in three to five years. A two-year we could probably talk about.

Alderman Levasseur asked is anybody going to pursue that, Your Honor.

Mayor Baines replied Howard would have some conversations with them.

Ms. Hebert stated if I may just make one last comment about NHMA...we have explained to the City during this whole bidding process that if the City decided to go with NHMA, it is still Anthem Blue Cross and Blue Shield. We still process the claims and they have our identification card. So we would work with the City to make sure it was a smooth transition to go with NHMA. I do not want to leave here thinking that Anthem is saying we do not want you to go with NHMA. We do have a partnership with them and it is whatever you decide.

Alderman Gatsas asked SAS70...

Ms. Hebert replied you asked for that before and I am really not sure what it is and I could find out and let you know tomorrow.

Alderman Gatsas asked the checkbook...whose hands in the checkbook in.

Ms. Hebert replied it is actually in the City's hands. We do not have a working fund for the City so the way it works now is we process claims and on a monthly basis we settle up with the City. The City pays us a level premium every month. So whatever the level premium bill is they pay us.

Alderman Gatsas asked the interest that is being earned in that level premium because of the time it takes for claims to clear who is absorbing that.

Ms. Hebert replied it would be us, however, normally by the time we receive the level premium we are already paying claims on the City's behalf. We do not stop claims payment like a TPA might because there is no money in the account. We continue paying because of our provider contracts. We have to pay the claims as they come in.

Alderman Gatsas asked let's assume that I get a check for \$37.00 and as we know most employees sometimes take that check and it is a reimbursed check and it gets washed through the washer I do not cash it and that \$37.00 sits in account...who gets the money, does the City get it back or does Blue Cross Blue Shield.

Ms. Hebert replied I would assume that Anthem keeps...is the one with the bank account on that but I would have to double-check for you, Alderman Gatsas.

Alderman Gatsas asked who verifies all claims being paid. Let's assume that a claim gets paid for Ted Gatsas or the claim is paid by Blue Cross Blue Shield to the Elliot Hospital for Ted Gatsas does the City have any process because a key

punch operator at Blue Cross Blue Shield put in 02 instead of 01 and the claim gets charged to the City instead of the State and it was charge of \$287,000.

Ms. Hebert replied we do have an internal audit process at Anthem Blue Cross and Blue Shield and there is edits in the system and they have a whole process. Also, on a monthly basis we do send a claims listing to the City with all claims that have been processed on behalf of the employees of the City.

Alderman Gatsas asked whom do you send that to.

Ms. Hebert replied that is sent to Terry Desrosiers in Human Resources.

Mr. Tawney stated and she checks that on a monthly basis and anything that are not our employees or those types of things it gets sent back for a credit.

Alderman Gatsas asked my next question would be how does she know whether the claim should be \$2,800 or \$28,000.

Ms. Hebert replied she probably would not know, Alderman Gatsas, but the way the claims are in the system...there could be a keying error, yes. That is why we have an internal audit department that does check that. Also, we are in the middle of an audit with a company from Georgia on behalf of the City. We have just sent them data for them to take a look to make sure of the claims processing.

Mr. Tawney stated they are from Alabama.

Alderman Gatsas asked how many years are they auditing.

Mr. Tawney replied three years.

Alderman Shea asked the number of employees that handle the administrative side of your particular process.

Ms. Herbert replied that is hard to quantify because it could be anywhere from the person in the mail room that gets the claim to the medical management person who myself to...we have over 800 employees...

Alderman Shea asked but would you say that if...

Ms. Pittenger asked how many claim processors perhaps would possibly handle a City claim.

Alderman Shea replied in the affirmative and asked and how many processes are involved like ten with twenty-five people or eight processes with twelve people or...you cannot answer it because it is too complex.

Ms. Hebert replied I really couldn't only because we do a lot of things electronic that never get touched that come right in. We also have people touching it...it could be ten people and it could be twenty-five. I could try to find that out for you and get back to you.

Alderman Wihby asked are we going to go into Worker's Compensation to go over that today.

Alderman Gatsas asked I would like to know where that \$500,000 worth of reserves from last year is. Last year, I believe this Board set aside \$500,000 for medical reserves to start a reserve account.

Mr. Clougherty replied that money was as you said included in the appropriation for last year. It is spread amongst the various departments and there has been a policy by the Mayor that prohibits anyone from using those dollars. So within the individual departments' appropriation those dollars for health insurance will be used for the "so called" premiums. But they will not be used for anything in access of that. That is being paid out of Howard's budget. The current projection through the end of the year if you annualize it at this time is that you will be just about \$500,000 in a balance that will be attributed to your fund balance at the end of the year. Because remember as she has explained throughout the day it is claims. And if you have more claims than what was forecast last year that number may go a little less there could be less claims it may be a little bit more. But the idea was to have about \$500,000 and right now we are on track to have that number to make that fund balance calculation at year-end.

Alderman Gatsas asked Kevin, I got Finance Department, which is number seven in the category in this budget book. We will just use your department and maybe you could walk us all through where that little extra money is that is in the Mayor's budget. I believe section seven no that is the City Solicitor. It is section eight on page ten.

Mr. Robinson replied page ten is just administration you want the entire department, which is, page eight.

Alderman Gatsas stated so Kevin, what you are telling me is that in the revised budget of \$69,833 there is a reserve amount in there.

Mr. Clougherty replied included in that amount is an amount that was earmarked for the reserve by the Human Resources Department last year.

Alderman Gatsas asked how much is it in your department.

Mr. Clougherty replied I would have to go back. Human Resources did the calculation and I could have that for you tomorrow.

Alderman Wihby stated but the total is \$500,000.

Mr. Clougherty stated the total in each department would come up to approximately \$500,000.

Alderman Gatsas asked in that revised budget which is \$69,833 decreased on the Mayor's side by \$5,000. Do you know if the Mayor's recommended includes a reserve for this year.

Mr. Robinson replied in the negative and stated there is no reserve.

Alderman Gatsas asked so where is the reserve for this year.

Mr. Robinson replied in Human Resources.

Alderman Gatsas asked the whole \$650,000.

Mr. Robinson replied I do not think it is \$650,000.

Mr. Clougherty stated \$460,000 is in Human Resources as I understand it and there is a slight increase in the balance of the departments as well of about \$120,000.

Mr. Robinson stated if you turn to page four in Howard's handout if you look at the last two lines it will explain to you how he came up with that number.

Alderman Gatsas stated I have a problem when we start talking about reserves and what that is supposed to mean. They are not supposed to be implemented in anybody's budget in any sense.

Mr. Robinson replied that was the desire of the Board last year.

Alderman Gatsas stated the desire of the Board last year was \$500,000 in a reserve account. What that meant is that reserve account and what that means because we were told by an auditor here to be actuarially sound is 23% of the claims. That

amount should be put in a restricted account being held not distributed amongst departments. That is supposed to be held in case the City decides to get out of a self-insured plan that the run-off is there to pay for three months of claims.

Mr. Clougherty stated what the auditor was saying is that at year end if you look at your financial statements there is a reserve and it is put in place for your insurances. That is a calculation that is done at the conclusion of the fiscal year after you know what your experience has been and what your claims are so that you could put that number moving forward. The goal of the proposal that the Board adopted last year was in fact to be in a position at the end of this fiscal year to be able to make that entry into the reserves. And you are right, going forward from that point you want to keep that. But right now we do not have in the reserves an amount equal to what the actuarial says it should be. We are building up to that. During that time period you have claims that are coming. Now whether you realize it at the end...if you budget two million dollars for the current fiscal year and the idea is \$500,000 of that is going to be for reserves that is great but if everything goes against you during the course of that year you may not have that \$500,000 to put towards the reserve at year end. Right now it looks like we are on track to be able to have that reserve at year end. During the year we have put those dollars, again with the policy of the Mayor, to restrict that so they will not be used for anything other than for settlements if necessary.

Alderman Hirschmann asked why would it be spread across the departments like that, we still do not understand that.

Mr. Clougherty replied that was the way that Human Resources felt that the direction came from the Board. Once it came across we said that we did not want departments to be able to use those funds so that there was going to be an amount at the end of the year to be able to be accounted into the reserve. The Mayor issued that directive to the departments so that they are not spending dollars out of the health insurance for anything other than their premiums and that has resulted in a projected balance of approximately \$500,000.

Alderman Wihby asked Your Honor, earlier Howard said when I asked him where the \$665,000 was he told me it was spread out amongst the departments. So now we are hearing that the \$665,000...\$460,000 is in Human Resources and \$205,000 is in the department. Kevin just said \$120,000 is in the departments but yet the total on your sheet ends up to \$665,000 so how much money is there for a reserve.

Mr. Clougherty replied the figure I know is the \$460,000 which is in the Human Resources Department and that is what we are looking at as the reserve. If as a result of the additional money that they have put in or spread amongst the different

departments that results in an additional \$200 then that would also go into the fund at the end of the year. But you are trying to forecast...

Alderman Wihby asked so there is money in your number that goes towards the reserves. There is \$205,000 spread out amongst the departments, Kevin, your comment was there was nothing in your department but there has to be.

Mr. Clougherty replied it is spread out amongst the departments. There is a piece in my department and every other department.

Alderman Wihby asked so is the number \$665,000...\$205,000 in the departments and \$460,000 in yours.

Mr. Clougherty replied in the affirmative.

Alderman Levasseur asked I believe when we made that restricted amount that was going to be put in one special account, which would have been earning interest. I do not know how it got spread across but if a directive was made to all the departments, Your Honor, by you we never knew anything about this directive and did you make that directive in writing that they were not supposed to spend this money. But you gave them each a percentage and how was the percentage based.

Mayor Baines replied it was done based upon what Human Resources felt at the time was the direction of the Board.

Alderman Levasseur asked you have \$460,000 that you kept in Human Resources and then somewhere along the line you made this thing where you are going to spread out \$165,000 or \$205,000.

Mr. Clougherty replied I think you are confusing the fiscal years. For the budget year coming that we are talking about tonight the Mayor has put, as I understand it, \$460,000 in the Human Resources budget for a reserve. He has also budgeted within the departments in addition to the calculations made by Human Resources approximately \$200,000. At the end of the year, if that comes to fruition the \$460,000 will be put into the reserve. Your reserve at the end of fiscal year 2000 your audited reserve for health insurance is \$274,855. When you put in the projection for this current fiscal year of the \$460,000 or \$500,000 that we projected to generate that is going to get you up around \$750,000. If you add the \$460,000 that the Mayor is looking next year to come up with that is going to get you to 1.2 million. My understanding from Howard that the actuarial is about 1.2 million. So you will, over the three-year period grow to a point where you are

close to what the actuarial requirement is for that fund. That was the intent of the process over the last couple of years was to build back that reserve over time.

Alderman Levasseur stated I think I am getting a little bit more of a clearer picture. I just thought that we were going to be placing that into one place. I do not like the idea of it being spread out, Your Honor.

Mayor Baines stated that is the way we are doing it this year.

Alderman Wihby asked we have a number here that says \$665,000 is for reserves. \$460,000 of it is in Human Resources and \$205,000 is in the departments. So when Kevin says we are hopefully building up our reserves and we are going to take that \$460,000 and build up the reserves should it be that we are going to take that \$665,000 and build up the reserves.

Mayor Baines asked would the handout be helpful.

Mr. Clougherty replied no I understand exactly what the Alderman said...I agree, Alderman, if you want to take that money out of the departments and put it in that reserve that is fine with me. It does not change the bottom line. Instead of prorating amongst the departments you would put it in the department.

Alderman Wihby asked but even if it is not in the department...it is still going to fall to the bottom one way or the other. Whatever is there if we are anticipating \$665,000 it is still a reserve. It does not matter if it is in the department or if it is in one lump. But why are you saying we are anticipating \$500,000 going.

Mr. Clougherty replied that was for last year for this year versus next year.

Alderman Levasseur asked if it is a restricted account...why would you not want to keep it in as big a lump of sum to generate more income off of that money, Kevin, instead of having it spread out.

Mr. Clougherty replied because bottom line...the money is invested right along.

Alderman Levasseur asked the money is invested but what about the money that is in the departments.

Mr. Clougherty replied that is all the same that is all invested.

Alderman Levasseur stated I know but it is not invested.

Mr. Clougherty replied sure it is...it is all invested. That is an account...when we say an account that is an account on a spreadsheet as opposed to a bank account. It is not a separate bank account.

Alderman Gatsas asked Kevin, you have a number there of how much from last year.

Mr. Clougherty replied if you annualize where we are to date, Alderman, and project that forward it is understanding that it would be around \$470,000.

Alderman Gatsas asked what happened when we did the budget last year that is my concern...what happened to the \$500,000.

Mr. Clougherty replied again, when you do your budget you are setting aside an amount of money to deal with your health insurance which is actual claims.

Alderman Gatsas asked there are two different items that we are doing. When we had a bid last year we had a bid based on projected claims. That is the premiums that we charged that we set aside in the departments to make sure we took care of claims of let's say seven million dollars. The additional \$500,000 was for a reserve account. It had nothing to do with claims.

Mr. Clougherty replied you are paying actual claims.

Alderman Gatsas asked but the reserve has nothing to do with claims. You cannot...if you were doing this as a company outside of the City you could not touch that reserve account to pay claims. So I am saying we started at \$500,000 and we are at \$460,000 what happened.

Mr. Clougherty replied again, I would remind the Aldermen that this is a projection of where you may end up. If your actual claims are more than what the projection was by Human Resources last year you would not have the \$500,000 because you would have to pay your actual claims and that is going to effect the amount that you have in your reserve at year end. Again, you are dealing with a projection. The projection may come back.

Alderman Gatsas stated Mr. Clougherty that is not true because this Board did decide to take that money from another fund. It could take it from the so-called "rainy day" fund...the additional employees fund what is that one. Salary adjustment...we could get that from any fund we want. That is not the decision for Human Resources to make of where those monies are coming from.

Mr. Clougherty replied your appropriated amount last year to deal with health insurance...when you appropriated that amount you really had two pieces...one what you thought would be an amount equal to cover your projected claims, and another amount that hopefully would go into a reserve. But at the end of the day, out of that amount of money that you appropriated you are going to pay the actual claims. At this point in time it looks as though projected forward you are going to be very close to the \$500,000 that you thought would be available and that will go into the reserve. But it could be that during the course of the year the remaining few months things go your way and that number could be more than \$500,000. It may be that it goes the other way and it would be less than \$500,000. But the amount has to be paid out of those claims. That is why you have that reserve.

Alderman Cashin asked Kevin, half a million was over and above what we set aside for claims that was a reserve account, as I understand it. I thought that it was going into the Human Resources Department. How did it get from the Human Resources Department spread across to the departments, who did that.

Mr. Clougherty replied my understanding, Alderman, is that that adjustment was made into all the departments as part of the resolution and that is why it is set up the way it is. I agree that is not the ideal way and that is why the Mayor is trying to do it different this year.

Alderman Cashin stated but that was the intent last year.

Alderman Wihby stated my understanding was in the budget last year every department had their number for benefits. So it was all in their total number and they were going to manage their budget that way.

Alderman Cashin stated everybody on this Board with probably the exception of Alderman Wihby felt that this \$500,000 was a lump sum being put in Human Resources and is going to be there as a reserve. Now this is what I thought...now I am finding out that in the resolution it was allocated to all the departments. I do not know how these things happen, Kevin, without this Board knowing about it.

Mr. Clougherty replied with all due respect, Alderman, I believe that was discussed and that was the full understanding of the Mayor's Office and it was the full understanding of the Human Resources Office and given that we felt it was important that the Mayor set a directive to preserve that money and he did that very early on in the year to make sure that we would be able to meet the intent of the Board at year end.

Mayor Baines stated we were concerned, as I recollect, about that and after that we asked for some advice from the Finance Office of how to take care of that because

we wanted to make sure that the money was set aside. We had deliberations during the month of July on how to manage that and then that is when we issued the directive to all the departments to make sure that money was set aside. It was our understanding very clearly that that was the direction that the Board took at that time.

Alderman Cashin stated I am just stating that I would have appreciated once that decision was made that this Board was informed of that decision that is all. I think we have a right to know that.

Mayor Baines stated it was part of the budget process and it was part of the deliberations as I recall, Alderman.

Alderman Shea asked before, Howard, you brought up on page ten the fact that we probably will have \$506,891.00 is that in addition to the \$400,000 plus possibly \$200,000 coming back in dribbles from the different departments. When you were talking before on page ten you said that there was \$5,927,944 and we expected a possible savings because you were coming in at \$5,418,053 for a difference of \$506,891 is that in addition to the money set aside.

Mr. Tawney replied in the negative and stated that was the reserve. On page seven of the handout was the memo that Mark Hobson sent to the Board regarding the amount of money. On page eight was the split out between the departments and how the money would be distributed to the departments. Page nine was what the amount of money the bottom line at the bottom is what we calculated the total amount for the cost of premiums for health insurance would be. And on page ten the bottom number was approximately \$506,000 more and that was the reserve.

Alderman Shea asked that is the reserve we are talking about...the \$470,000 plus the \$200,000 that may come back from departments.

Mr. Tawney replied in the affirmative and stated the money that may come back from the departments. That is how we laid it out and sent it to the Board.

Alderman Gatsas asked so when we directed everyone to cut a half a percent we cut this a half a percent.

Mr. Tawney replied that is correct.

Alderman Gatsas asked without anybody in here knowing that the reserve account got cut a half a percent.

Mr. Clougherty stated my understanding is that when you cut that one percent it had an effect on the department's lines but most of that was not salary and benefits. Most of that was going to be coming out of their operational areas. We still maintain that the \$500,000 at least based on the current projections if everything stays through the last few months is in tact and will be available.

Alderman Wihby stated my understanding when we cut the half a percent was that we told the departments they could not cut it from salaries or benefits that they had to cut it from the other items and they were supposed to submit their new numbers to Finance and put them in the right category.

Alderman Gatsas asked so Mr. Clougherty let me understand what you are saying...your number that you have in front of you saying that if we completed the year we would be \$470,000. So we did cut that number by a half a percent because if I take a half a percent of \$500,000 or half a percent of the 5.97 it is \$29,000 that is the \$30,000 that we are missing.

Mr. Clougherty replied again I would remind the Board that all this is is a projection and a forecast through the end of the year. You still have to take a look at what your actual claims are. If you have an experience like you have had the first nine months you are in all likelihood going to come close to the \$500,000. If you have an experience that is catastrophic or otherwise you may have less than that. Because when you do your appropriation you are doing your best estimate understanding you are self-insured and you have actual claims.

Alderman Hirschmann asked the 2002 budget how you went to the \$665,000 and you split it in two and you gave Howard \$460,000 and some departments have this \$205,000 why can we not cut that \$205,000 if the actuarial only wants that 1.2 million and you are going to have it with the \$460,000. We are going to have too much money, you are telling us that.

Mr. Clougherty replied first of all I should let Howard answer this...but I would say that the actuarial number we have he did tell me the 1.2 million was preliminary estimate.

Alderman Hirschmann stated but the information you told us you needed 1.2 and we are going to have more than that so we could cut that number.

Mr. Clougherty stated again if the actuarial comes back and it is in that range conceivably that would be. But I will let him speak to what the actuarial is.

Mr. Tawney replied I hope to have that within the next week.

Alderman Hirschmann asked there is a possibility we could have a \$205,000 budget cut because you do not need it.

Alderman Gatsas asked from 1999 how much do you have in that reserve account, \$247,000.

Mr. Clougherty replied \$274,855 at the end of fiscal year 2000 plus approximately \$470,000 if everything continues on a good basis brings you to about \$750,000.

Alderman Hirschmann asked but we do not need \$665,000.

Mr. Clougherty replied in the negative and stated what you should be at is 1.2 million and if you take the \$460,000 that the Mayor has in Howard's budget that get you to the 1.2 million.

Alderman Gatsas asked Howard, the 1.2 million is based on what number.

Mr. Tawney replied that is the max working rate out of Blue Cross.

Alderman Gatsas asked which is what percentage based on 5.927944.

Mr. Tawney replied in the affirmative.

Alderman Gatsas asked so it is 20% roughly.

Mr. Tawney replied in the affirmative.

Alderman Gatsas stated would you believe that the HMO Blue is a fixed rate for 1.5 so we do not need 20% of that. So the only 20% we need is on the 4.4 which is \$880,000. The HMO Blue is a fully insured plan, do you agree. That is on page ten of your report.

Mr. Tawney replied we were thinking both of those would be that HMO Blue would be self-insured also that we would need the money to cover that too. If we fully insure it then that is a different number.

Alderman Hirschmann asked how come the full \$665,000 did not go to Howard. Why is it split up. Why is there a hybrid situation.

Mr. Tawney replied it is my understanding from your direction last year that you wanted it that way. That is the way we sent it to the Board and that is the way the Board approved it. If you do not want it that way we could...

Alderman Hirschmann stated does it not sound like we are going to repeat a mistake. Why do we not put it all in one...

Mayor Baines stated if that is the will of the Board then we will make that adjustment.

Alderman Hirschmann stated if we start cutting then you are going to cut that amount.

Mr. Ntapalis stated I know it has been a long time so what I will do is I will go over briefly the handout that I provided last Friday to the Aldermen. Stop me at any point.

Alderman Lopez asked why are we doing this because we have been here since 6:30...

Mayor Baines replied the original intent was to have this as part...it did not make it onto the agenda but the original intent was to deal with almost all the insurance issues tonight. Am I correct, Alderman Cashin.

Alderman Cashin replied in the affirmative.

Mr. Ntapalis stated mine is pretty straight forward...if you turn to the first page it is entitled Worker's Compensation. You will be looking at budget figures for all the departments but really the bottom line for Worker's Compensation is the number to focus in on. The other numbers that are associated through the various departments in the City...they are basically place-holders for the budget. As most of you have known, year after year, what we do for Worker's Comp. is pretty much use some of the track history based on loss experience that had transpired. What went into this is probably about nine or ten years' worth. Again, there is no way to really with any degree of accuracy be able to predict what departments are going to have what exact expense when it comes to foreseeable Worker's Comp. claims going forward by twelve months. The actual budget that we work off of is a bottom line budget. That is kind of what you all were talking about when you were dealing with the health insurance. We rarely draw from that pool. The only exception to the rule is obviously supplemental pay and indemnity payments come out of the payroll. All of the medical and the settlements etc. legal fees are all associated to a specific Worker's Comp. line item account and that is 0214. You will see two high numbers; one affixed to the City Solicitor's Office of 64% differential or a change. That quite simply is in respect to a reserve amount in last year's budget process was provided to me. It was about a quarter of a million dollars to fund that and that boosted the amount of dollars that were associated with that particular line. The other high increase that you will see is associated to

the Highway Department. That simply is this Board had the pleasure for Risk Management to try to get rid of some of the indemnity claims that we have been paying right along in effectively a lump sum or settle out some of the older claims that were getting to be expensive. That is why you see a 76% increase associated to the Highway Department. By and large the 1% increase across the board, we are using a figure of about 1.5% 1.75% associated to Worker's Comp. for increases on medical costs, the technologies that are involved and providing services to our injured employees. With that said if there are any questions on the comp. page...

Alderman Wihby asked the \$250,000 reserve this year...we had that last year.

Mr. Ntapalis replied last year the way it ended up I had asked for a million dollars between Worker's Compensation and CGL. Half of that was cut and it was split almost evenly between Worker's Comp. and CGL. So that is correct, Alderman.

Alderman Wihby asked so where was the \$250,000 last year for the worker's compensation.

Mr. Ntapalis replied that was with me...that was attached to the City Solicitor's Office, that amount.

Alderman Wihby asked if you look at the numbers it is not there. The revised budget there is \$155,000 for fiscal year 01.

Mr. Ntapalis replied it was split in the fashion that it was not even.

Alderman Hirschmann asked Harry, did we get a better rate comp. -wise because we funded a position a Safety Coordinator to get lower worker's comp. rates.

Mr. Ntapalis replied actually, Alderman, that is a good question. We have a self funded worker's comp. program so we are not rated as you would for a commercial program. What we have managed to do as you had indicated is hire a full-time loss prevention specialist with the hopes that as we go forward that our actual cost associated to worker's comp. will decrease because of the added service to the loss prevention program.

Alderman Hirschmann asked was it not more than a hope was it a guarantee you told us when we budgeted for it.

Mr. Ntapalis replied he has been on board for six months and it would be unfair for him to be put in a position right now that he has been able to effectively make a great impact. He is still under some in-house training and so forth but he has

been physically present at many of the departments. He is involved with safety committee activity. We feel very confident that within a year maybe eighteen months to two years certainly you are going to see a return on your investment.

Alderman Gatsas asked I know that I for one, Harry, asked you to take a look at a fully insured plan. Did you ever do that.

Mr. Ntapalis replied in the affirmative and stated when I looked at a fully insured plan, Alderman, to break away from self-insuring; the cost would be exorbitant. At one point in time and it was not all that long ago the market conditions were soft and to leave a self-insured program that we had been with since 1977 it was ill advised not only by our insurance advisors but our legal insurance advisors because of the volatility of the market. The market has since hardened to a point where a lot of the individuals that were in the public sector that have hopped into the commercial area are experience upwards of anyway from 25% to 62% rate hikes as they stay with the commercial market place only to look to go back to self funding.

Alderman Gatsas asked where did you get that data.

Mr. Ntapalis replied you could pick it up out of the internet, which we follow, AM Best Pores but the most recent data that I got for this meeting was from J. Jalbert International Insurance Advisors.

Alderman Gatsas asked for what years are you talking about a 62% increase.

Mr. Ntapalis replied they are projecting the budget years coming forward. At this point in time for a fully funded plan for worker's comp. with a pay that the City of Manchester has for school teachers and everyone else of over \$100,000,000 it would not be the prudent time to do such a thing to break away from self insuring.

Alderman Gatsas asked but did you get a quote.

Mr. Ntapalis replied in the negative and stated we did not go out for quotes or bids or anything along those lines.

Alderman Gatsas asked could you get some numbers and come back to this Board if you were to go out and fully insure this plan because it looks to me like you should have a credit mod based on what I am seeing here.

Mr. Ntapalis replied what you see for numbers, Alderman, in comparison to what we projected without going through quotes in the market place because we are actually going out to bid for property insurance right now for boiler machinery, for

transit cargo...we are in the middle of a lot of bid processes which are prudent to do. Worker's comp. was the one that was ill advised and we would be looking at a budget...

Alderman Gatsas asked who told you that.

Mr. Ntapolis replied we retain J. Jalbert International Insurance Advisors and we do that for a specific purpose to make sure that we follow the market conditions and that we are standing in the best possible...

Alderman Gatsas asked so if I told you that the State of New Hampshire went from a self insured plan to a fully insured plan would that tell you that maybe the market is soft.

Mr. Ntapolis replied in the negative and stated it is probably a different set up then we are I do not know what their motivation might be. But it was ill advised from our consultant's perspective. They are looking at numbers just taking a 10% loss ratio given the fact that the different job specs. that we have for employees range from a very high percentage for police officers, fire fighters, etc. in the teens even down to our clerical. The average of 10% and a factoring that in with \$100,000,000 payroll you are looking at a \$10,000,000 budget that I would be coming to you with tonight for 2002 and that is conservative. Our actuaries are also explained to us that you may get away with in a fully funded program of budgeting 80% of that amount. But even still you are looking at \$8,000,000 figure compared to what is being requested it is a "far cry". If you want to go through a bid process to receive quotes I would be glad to do it but I think it is a futile waste of time. No disrespect meant.

Alderman Gatsas asked do you know if Nashua is self insured.

Mr. Ntapolis replied in the negative and stated they self insure and their TPA is Buckler. They are self-insured like we are.

Alderman Thibault asked how many unsettled claims do we have on the books right now.

Mr. Ntapolis replied you have sixteen individuals that are out there receiving a weekly check at present. It translates to about \$6,000 to \$6,500 per week. Down from probably triple that a couple years ago averaging \$17,000 to \$18,000 a week. We generate probably about 450 claims a year, many of which are medical only.

Alderman Thibault asked are you in the process of trying to settle some of those claims also.

Mr. Ntapalis replied we have probably about another five of those claims that we could settle. Most of them are going to return back to work. There will probably be a couple of individuals that will never get back to work or settle. Obviously they have retired and they are older. They are in a financially good position and there is no desire on their part to settle and there is not way we could tell them to do so.

Alderman Vaillancourt asked just to follow-up on Alderman Hirschmann's question...so it looks like your worker's comp. claims are up 20% and the expenses are up approximately 40% with the hiring of this new individual. Are we to be led to believe that if we had not hired this individual we would have been up 30% and 50% perhaps.

Mr. Ntapalis replied in the negative and stated what you are seeing...the increase obviously it was the pleasure of the Board at one point to effectively reduce that weekly indemnity amount that I just talked about from \$18,000 downward. You saw a great deal of settlement that went on last year...five of which out of the Highway Department alone. These are young individuals high wage earners when you factor in their overtimes they have some work capacity although it could not be the labor intent so when we settle with these individuals they were significant settlements and that is what drove those costs for last year, Alderman.

Alderman Vaillancourt asked I am talking about the worker's comp. claims in item number two from 427 to 487 claims and from \$431,481 to \$600,053 on page five item two page five. Approximately a 40% increase.

Mr. Ntapalis replied actually that page that you are looking at, Alderman, is claims valued for that particular year. In other words, anything generated in those specific years it is really not a true reflection as to what we really generate because you have claims from years past that are factored in. This page may be confusing to you but what I tried to do for a ten-year period is show you in any given year what the new claims counts are and how they differ from that year to year and the number of claims, lawsuits, automobile mishaps, etc. The full picture is more preferable if you were to look at the preceding page of the loss history. We started with worker's compensation back in 1977 I brought this through July 1, 2001 projecting you could look from year to year under the column that is over to the right and that is where it says total incurred amounts...those will give you of a more realistic picture as to what would generate and then you fill in the outstanding reserves and you will get a better feel. For example, what I filed with the Department of Labor this year to tell you what "true" expenses might be...if you were to look at page seven...if you take that amount the \$1,000,000 and the \$600,000 you will see a filing of an actual figure for a given year. It is up from

the preceding years. You will be 1.6 million, which equates with that loss history. The last five years we were probably running at about 1.25. We are asking for a bit less because we feel with the programs that we have instituted and the aggressive settlements that we have undertaken and what we want to proceed with in 2002 that we could come in "shy" of that 1.6 for next year. But that is the actual picture. That gives you everything from "soup to nuts" that we spent money related to worker's comp. and we have to file that statement annually with the Department of Labor.

Alderman Vaillancourt asked I am very concerned about this increase of 20% and apparently the number of claims. Do we have people more accident-prone.

Mr. Ntapalis replied Alderman, you are correct. The number of claims have risen there is no denying that and that is why I put that in there very specifically to give you a flavor for what is going on. Are we more accident-prone...there is a margin that we could concentrate on with the assistance of the departments and their employees. That is why we have re-instituted in a number of situations the safety committees in those departments. But most of the claims activity that you see it is important for you to understand that they are medical only. All that means is that someone may have a paper cut or twist their ankle and out they go to have some kind of care. The numbers that really drive the expenses are when people are out for a long period of time and that is what we really have been trying to impact on for the past year. But the claims have risen but everyone now is very sensitive because more recently if you do not file a claim and a claim has taken place later on I think the feeling is on the part of the department are certainly that employee that they may be subject obviously to late filing civil penalties etc. so they are a lot more aware that there are certain things that they have to do. But you are right, we are going to try to curb that claim count because with frequency usually comes severity.

Alderman Vaillancourt asked so am I hearing you say that the individual we hired to do this is responsible for helping people realize that they should file more claims.

Mr. Ntapalis replied that is not so...the individual that we have hired is responsible for working with these individuals to help them not incur more claims. That is the focus of where we are going.

Alderman Pariseau asked Harry, under...on that same page five in the year 2000 you show the number of accidents of 169.

Mr. Ntapalis replied for automobile related incidents.

Alderman Pariseau asked are those city employee drivers.

Mr. Ntapalis replied when they are broken out as to automobile claims it could be anything associated with our fleet...damaging property, damaging another vehicle, being hit by someone else, us hitting someone.

Alderman Pariseau asked do you have a defensive driving program within the City.

Mr. Ntapalis replied the last defensive driving course that we had provided to individuals was three years ago. It was well attended and that is on the drawing board with the new safety officer and our claim service loss prevention people for the upcoming year do to a refresher.

Alderman Pariseau asked that \$166,239 is that to repair the vehicles.

Mr. Ntapalis replied that is everything associated with the auto portion of the GL that is correct. Anything associated...medical or damage auto body work etc.

Alderman Wihby asked if you look at page five would you look at the 487 claims does that correlate to the numbers of...it is off but it is supposed to be the same as page six if you look at the year 2000 if you added up all of those it comes out to 443 and you are talking 487. But is that supposed to be the same.

Mr. Ntapalis replied the reason being one of them is reported at fiscal year end and the other one calendar year.

Alderman Wihby asked if you look at the bottom one, Water Works, that does not effect our budget because they are an enterprise. Aviation is an enterprise, EPD is an enterprise and Schools should be in their own budget. So if you take the top four numbers we are only up four cases if you look at that fiscal year four claims higher than last year. Why are you asking for more reserve if we only basically the same amount as last year why is the \$100,000 not good enough \$150,000.

Mr. Ntapalis replied it is way too light. The only reason being is the settlements I know that this Board had wanted me to pursue unfortunately are not in the enterprise departments...not in aviation, not in school...they have a lot of medical only. They are in our operating budget. They are labor individuals and they have been out for a long period of time and they are medically at maximum. That is primarily the reason why I am asking for that additional money.

Alderman Wihby asked so you are asking for \$250,000 but you should not be asking for any additional money for those bottom floor categories. You should not be asking for a reserve from us for schools, for instance.

Mr. Ntapalis replied the reason why I have reflected them...I know it was Alderman Gatsas I believe last year that said to me that he would like to see those generate the most activity so in anticipation that you folks might have wanted to just take a look at the claims count those are the departments.

Alderman Wihby asked but when you are figuring on your reserve you are figuring on all these departments.

Mr. Ntapalis replied I do, Alderman.

Alderman Wihby asked so the reserve...if you look at the School Department it is just unbelievable they go from 53 claims to 169 that is more than any of the other ones put together...Highway, Police, Fire...how does that happen.

Mr. Ntapalis replied the reason for that has been back when you are looking at the lighter school was "slapped in the wrist" a few times way back when...in that again they are a de-centralized group the school locations are away from the central administration. Some of the schools were very good about providing claims once their employee notified them that an injury took place. Others kind of kept them on file until later on and we found out that the employee filed their own version up to Department of Labor or they intended to but they were late. So we were generating a number of fines. I had met with the School District sometime ago and explained the process of when we have to do what we need to do and now they pretty much file just about anything that reflects an injury to one of the staff.

Alderman Wihby asked so this not actual losses this is just first report of injury.

Mr. Ntapalis replied first reports of injury and what ends up happening is their log as a filed report.

Alderman Wihby asked but it is not a claim as far as...

Mr. Ntapalis replied a lot of times it is not even generating a cost but I just wanted to show you that the amount of filings have increased substantially.

Alderman Wihby asked does the School Department have a reserve for Worker's Comp.

Mr. Ntapalis replied I handle all of it and the enterprise departments.

Alderman Wihby asked but when you are asking for the \$250,000 for us this year a big portion of that should be coming from the School Department's budget to give you for a reserve.

Mr. Ntapalis replied but you have to remember one thing, Alderman, what we are attempting to do that reserve that I am asking for this year is pretty much earmarked I know what I need to do with it and that is to effectively settle the drain on the payroll on the indemnity end and it is not school.

Alderman Wihby asked there are no claims in school at all.

Mr. Ntapalis replied none that are going to effectively be up for settlement. I do not even know if there is really other than one individual that has been a long-termer I do not think there is anyone that is anywhere need any kind of a settlement resolution. It is all on the City side and that is why I have asked for that kind of money. If it was split believe me I would have prorated it to the point where the enterprise or the schools would have been in there.

Alderman Wihby asked there is not in the enterprise funds either.

Mr. Ntapalis replied in the negative.

Alderman Shea asked I know years back we used to make out a form as a principal Mr. Baines would attest to that as well having been at West...has the form changed at all that the school principals have to submit within twenty-four hours or is that the same form that they use now.

Mr. Ntapalis replied some of the laws have changed as to what they need to do and accommodate individuals that are going to return to light duty work. But by and large the forms are still the very same forms that we discussed a few years back.

Alderman Shea stated I know I was around in 96 and there were 53 claims now there is 169. Harry, the number of employees has increased as well and the number of city vehicles I assume has proportionately increased. In other words, it seems that there are several departments that now that have the use of vehicles. Is there any kind of study being made concerning the necessity for so many vehicles to be used by so many different departments. We do not want three city cars stopping at stop signs.

Mr. Ntapalis replied to answer your first question, Alderman, the first question we have significantly raised our employment ranks. We have also undertaken as many of you may be unaware of we self fund every exposure for Worker's

Compensation. In other words, your Welfare program that had people on the work fare, federal programs that are associated with the School Department...and that is a major "chunk" of the budget...several million dollars right there, volunteers that are working for us...we have that exposure obviously, part-timers...so there is no way you could get around it in the eyes of the Department of Labor. If you are receiving a service and that person is providing it they could be subject to Worker's Compensation benefits. I think Kevin could probably establish for us...probably last year there was over 3,000 W-2 forms that were filed so that is a large work group. That in and of itself has driven the pricing. I think as Alderman Gatsas may have mentioned that about 20% of that work force has filed a claim in a particular year. What we have done with the fleet in the past that was looked at not in proportion to the amount of employees but pretty much what kind of equipment is out on the roads at any given time, how many of them are assigned autos. Are there opportunities for individuals with where the City pays a mileage reimbursement to utilize their own vehicle like I do. I have done that right along as to a lot of my colleagues and you are reimbursed and that minimizes the amount of fleet exposure. I have also dissected out of the fleet people like the airport department where I have them pay a commercial insurance premium for coverages and not to expose the City's fleet policy. Also they have a lot of equipment that is on premises...heavy equipment for snow removal, again I have dissected that out of the insurance package and they generate a bill specifically that they pay for and that is done in a liability policy as well.

Alderman Shea asked school principals go from their school to the school headquarters on Bridge Street, pick up their mail and go back. Are they part of this or is that a separate...in other words, each school principal is required to go.

Mr. Ntapalis replied we have an exposure when the principals are using their own vehicle and it is duty related and they get involved in a mishap and they sustain injury the exposure is ours. If they injure someone again it is their insurance's primary I have made that known at a principal meeting so when you are using your car as an individual, your insurance is primary and the City will layer above and beyond if you are on official duty.

Alderman Levasseur asked is your reserve fund spread out or is it kept in a lump sum.

Mr. Ntapalis replied the reserve fund is not spread out that is kept with me. The payroll portion that is in to pay the indemnity payments if that is ever exceeded there is money available with me in that reserve account.

Alderman Levasseur asked does each claim that is filed does that go directly into your office or does that go to the State.

Mr. Ntapalis replied everything to be triaged comes through me and reviewed by me all 400 no matter what department it might be enterprise or...

Alderman Levasseur asked so you have seen a 61% increase in five years in claims from 269 in 96 to 443 in 2000 and you have done that all by yourself.

Mr. Ntapalis replied I am the first stopping off point. I will review to make sure that they have been thorough and clean and everything that has to be on them is appropriate, the signatures are done and I immediately get them off to the Department of Labor the same day. I am very sensitive to that five-day window so we could prevent any penalties. We also submit a portion of what we have that has been filed to the claim service so they could immediately look into the claims.

Alderman Levasseur asked I just wanted to know if your department was just running that. For the year 2001 the claims to date...could you provide us with the claims to date for the same eight that you have here. Could you get us that number. You have given whatever you have or us the five years...96 to 2000 could you give us that updated to today. You do not have to do it now but just provide that.

Mr. Ntapalis replied I am going to be here to see you tomorrow night too and I would be glad to give it to you tomorrow night.

Alderman Levasseur asked the reason why I would like to see if that number is going to be dropping especially now that we have instituted that new position. I also would like you to provide me with if you could you have the list in front of you...line five the schools on page six. Could you provide me with the number of employees in 1996 compared to the amount of employees in the year 2000. This 318% increase in claims is a little un-nerving. Not looking for anything specifically I would just like to correlate all of the numbers as best as I can to see the precipitous drops or jumps. Would that be okay to do that.

Mr. Ntapalis replied I could have that for you also.

Alderman Levasseur asked it is kind of confusing to me, Your Honor, because we are a separate district but we are allowing the one guy to handle all the Worker's Comps for the whole city and then we have certain departments that are not doing such and I am wondering if that is...I like it better this way and I think it is more efficient.

Mr. Ntapalis stated it is a lot of work for me I will tell you but it is a control and I figure I have a handle on things that way.

Alderman Wihby asked first of all that claims should have been loss claims that would have at least told us something rather than just first reports of injury.

Mr. Ntapalis asked is that the one on page six, Alderman.

Alderman Wihby replied in the affirmative and stated out of that million six from the questionnaire that you had to fill out for the cost of worker's comp. for instance just go through some of that school and you bill them.

Mr. Ntapalis replied I bill school and I bill the enterprise departments.

Alderman Wihby asked so whatever \$200,000 of...schools, you are going to send them a chargeback.

Mr. Ntapalis replied every year I send them a total and so far everybody has paid religiously.

Alderman Wihby asked so this year for instance what are you expecting back from chargebacks for the school.

Mr. Ntapalis replied let us take a peak at another page...I have that in your package as well. It is on page three...we are looking at 2002. Now for most of the enterprise departments I go back for your benefit to almost ten years again so you could see what the history has been. I know one of the things that Alderman Gatsas had mentioned last year and the Board adopted along with hiring the safety individual was to increase those chargebacks. They were a little bit on the light side because we did experience some good market conditions so the MEDO assessed premium charges or any of the chargebacks that go into my fall billings I felt at that time would have been kind of a tough hit for them but more recently as you see in the claims activity increase I am out to bid on the other items that I talked to you about earlier because the market conditions had gotten tougher and we are going to realize a doubling in the rates for some of the premiums that we have enjoyed for the last three or four years. Particularly in property it is going to double. So I equally prorate and pass this onto the department.

Alderman Wihby stated but that is the administrative service fees.

Mr. Ntapalis replied it is not only administrative service in there but it is premium dollars as well, Alderman.

Alderman Wihby asked what about the Worker's Comp. claims.

Mr. Ntapalis replied the actual claims themselves are for the enterprise are charged back.

Alderman Wihby asked so what about schools the chargebacks.

Mr. Ntapalis replied schools is a chargeback also.

Alderman Wihby asked so what is the number you are using this year in the budget as a chargeback expecting from schools.

Mr. Ntapalis replied I could tell you as far as the administration and everything else looking at school is about \$100,000 this year.

Alderman Wihby asked what about claims.

Mr. Ntapalis replied it is drawn down from their budget.

Alderman Wihby asked so all you are charging them for and the enterprises...is the enterprises paying themselves out of their own budget.

Mr. Ntapalis replied in the affirmative.

Alderman Wihby asked so you are just charging for the administration fees for all of them.

Mr. Ntapalis replied the administration premiums, excess coverage, etc.

Alderman Wihby asked and they are paying their own claims out of their own accounts.

Mr. Ntapalis replied in the affirmative and stated including the airport.

Alderman Vaillancourt asked it looks like we may have played the role of "Santa Claus" here under page one accounts number 300 and 330 Fire and Police. Looks like you have spent about \$155,000 for Fire and budgeted \$334,000 you are 80% through so my math you are probably only going to spend \$190,000 therefore saving \$144,000 in that line. And under the Police line you have budgeted \$295,000 and spent \$196,000 so you are going to spend about \$240,000 so another \$55,000 there. Out of those two departments, it looks like you are about \$200,000 budgeted more than you need yet you have budgeted more the next year so may we not cut about \$200,000 there.

Mr. Ntapalis replied with Fire and Police you have to understand more often than not they are the ones that end up generating a great deal of the claim activity. Some of the settlements that we will be looking at will be Police and Fire oriented claims. It would not just be true if we are not going to be able to finish settling those claims this particular year before June 30th or we are going to end up settling some of the Police and Fire related claims in 2002 and I would think that it would be the latter. That is why we are looking for that additional money.

Alderman Vaillancourt asked so you are saying this is not prorated over the fifty weeks.

Mr. Ntapalis asked are you looking at page one, Alderman.

Alderman Vaillancourt replied in the affirmative and stated under Fire and Police you have your fire column...

Mr. Ntapalis asked 300 and 330, right.

Alderman Vaillancourt replied in the affirmative and stated you have with ten weeks remaining you had \$155,000 expended through 4/26 for Fire and you budgeted \$334,000, which is a difference of about \$180,000. You are not going to spend the \$180,000 in the next ten weeks, are you, not if you are prorating it. If you are prorating it you are only going to spend 1/5 which would be about \$30,000 more.

Mr. Ntapalis replied the only problem is some of the claims and I am not trying to be funny...we go back and forth with our attorneys lately and the attorneys representing some of the claimants and the dollar figures that we are talking are substantial. We are trying to move a claim as quickly as I can and we could have a large settlement.

Alderman Vaillancourt asked in forty weeks you spent \$155,000 you have about \$180,000 to spend in the next ten weeks. It just does not seem to make prorate sense.

Mr. Ntapalis replied as I said early on...on the city side are where the claims right now without getting into any of the details or giving away our strategies on pending comp. resolutions but those settlements between the Labor Intense Departments and Police and Fire they could take place within the next couple of months.

Alderman Vaillancourt asked so are you saying they are more likely to happen in May and June then September and October.

Mr. Ntapalis replied it is possible. It depends on how fast we could effectively settle.

Mayor Baines stated it is based on the settlements that he has projected to try to bring forward.

Mr. Ntapalis stated if I turn around and say omit that and find out that we need a check to be drawn from Finance for the month of June to effectively get rid of two individuals for a very high price I am going to look kind of strange without having the money available to do it.

Alderman Lopez asked if you did not settle those claims by the end of June and that money is there then you are going to need an increase in your budget for next year is that what you are saying too.

Mr. Ntapalis replied what I wish I could tell you, Alderman, is we would not need anymore money for next year but there are a number of settlements right now that we...

Alderman Lopez stated I understand that my question is if you do not settle this and you are banking on settling whatever the case may be and you have allocated \$334,000 for the Fire Department for an example...at June 30th let us just say for sake of argument that your figures will remain the same here. That money is...it comes back and it goes into the reserve account.

Mr. Ntapalis replied in the affirmative.

Alderman Levasseur asked did you say that you are averaging about \$6,000 per week right now.

Mr. Ntapalis replied roughly.

Alderman Levasseur asked does that include all the departments that we just looked on that list those eight departments.

Mr. Ntapalis replied it includes all the departments with the exception of the School Department.

Alderman Levasseur asked but they are paying for their own.

Mr. Ntapalis replied they are paying direct.

Alderman Levasseur asked so if you are averaging \$6,125 and there is only ten weeks left I think that I understand where Alderman Vaillancourt was going with that...that is only \$60,000 more in liabilities for the next ten weeks and he has shown you a couple hundred thousand dollars leftover in those accounts how do you rationalize those.

Mr. Ntapalis replied but of those sixteen individuals that make up that \$6,000 I would say at least half of them have reached maximum medical. In other words, the likelihood of them returning to their Police duties or Fire duties or...

Alderman Levasseur asked so in other words the remaining eight will have to be bought out or a lump sum out. And you already see from your past experiences what the average is then you have used that number that is leftover so that is where you come to that.

Mr. Ntapalis replied in many times it is at the end of the year that we effectively if we can.

Alderman Wihby asked Harry, the actuary for Worker's Comp. when is that coming.

Mr. Ntapalis replied the actuarial I did include a copy for the Worker's Comp. in there and I know you folks usually ask me what kind of a reserve we are looking at and that is on page...it is done every year and it is done as soon as our fiscal year comes to conclusion so what you have in front of you is the 2000. What I failed to give you and it was just an oversight on my part was the GL actuarial but again it is 6/30/2000.

Alderman Wihby stated but this would include everything the 3.6.

Mr. Ntapalis replied and that is what they are recommending that I carry to have a healthy amount.

Alderman Wihby stated that is all schools...you have to remember you have to break out all these things so you have this broken out by department enterprise school and city 3.6.

Mr. Ntapalis replied the reserve amount we do not have the 3.6 unfortunately. We do not have that kind of money in a reserve.

Alderman Wihby stated I know you do not have it but when he says we need it based on departments and the total city does he have it broken out so that it adds up from enterprises and school and city adds up to the 3.6.

Mr. Ntapalis replied I would have to double-check if he has broken it out by department. I know he has broken it out with a number of things that go into it for example...

Alderman Wihby stated the right thing of doing this is that people put the reserves accordingly so the enterprise funds should have their own reserve, the City should have their own reserve and the school should have their own reserve.

Mr. Ntapalis stated when the actuary looks at it he looks at us as a total, the City as a large group. But the changes that took place more recently we really have not had a chance. This next time around when it is done July or August whenever we have our year end figures the loss figures available it is going to be looked at with that in mind. But the summary page basically said of that 3.6 million, 1.4 million is for case reserves.

Alderman Wihby asked do we have that here...where are you reading.

Mr. Ntapalis replied go back to page one...you are looking at 1.490 for 02 then he is talking about incurred but not reported claims and that is in the event obviously that you have these accrued liabilities and you would have to pay off that amount. He is throwing in \$2,130,000.

Alderman Wihby asked where are you, Harry.

Mr. Ntapalis replied I am reading off a backup sheet to that report that you have in front of you. You asked me to break down that 3.6 million and I have it, would you like a copy to everybody. I will give you all a copy and it will tell you what goes into it. That gives you the breakdown and I think that will answer it for you I hope, Alderman. But it shows what he did and he has been doing this for us for a number of years obviously it is mandated that every year as a self-insured we have to have an updated actuarial and it is Everett Bishop from Liscord, Ward & Roy and he breaks it down in that fashion to show you what comprises the 3.6.

Alderman Wihby asked what is he telling me that the school reserve should be out of the 3.6, where is that on here.

Mr. Ntapalis replied it is not. I am not sure if we could readily get it by tomorrow night but I can assure you one thing that now that we are still servicing school and services removed from our operating budget that I will have the actuary be looking at all future reports with that in mind.

Alderman Wihby stated not just the school but any enterprise...

Mr. Ntapalis stated all enterprise departments as well.

Alderman Wihby asked and there is no way of having that any closer to...in the budget cycle.

Mr. Ntapalis replied I will try, Alderman, I am not sure.

Alderman Wihby stated Everett is fast whatever you ask him.

Alderman Levasseur asked that new position that we put on the safety coordinator, are you also making chargebacks for his work also.

Mr. Ntapalis replied absolutely and stated weekly.

Alderman Levasseur stated I have seen him in the schools and he is doing his job and everything so...

Mr. Ntapalis stated and guess who gets the bill.

Alderman Levasseur stated okay, great.

Alderman Gatsas asked Harry, the long-term worker's comp. claims from last year...I believe we had nine.

Mr. Ntapalis replied but there were a couple of them that we just could not get rid of last year now there are a few more.

Alderman Gatsas asked which ones could you not get rid of last year.

Mr. Ntapalis replied if you want to get into names...they are both firefighters.

Alderman Gatsas stated no names.

Mr. Ntapalis stated one is in his 60's and one is in his 70's and they are both collecting Social Security and a state pension for disability. They are just not interested in being off of the weekly amount that is provided to them.

Alderman Gatsas asked is that because of the new Social Security law.

Mr. Ntapalis replied I do not think so...I think financially they are in a position where they say if you want to make me an offer this is what I would take and it is

a substantial offer when we have talked with their attorneys. It is a matter of affordability.

Alderman Gatsas asked let me understand...do we have a cap on liability.

Mr. Ntapalis asked on general liability, Alderman.

Alderman Gatsas replied on Worker's Comp.

Mr. Ntapalis asked are you talking a cap before a claim goes to excess coverage, is that what you are saying.

Alderman Gatsas replied in the negative and asked the State sets liability cap for municipalities, which is set by the State.

Mr. Ntapalis replied we report \$250,000 in a way of a claim. Over \$500,000 we have excess coverage that kicks in and that is provided through general reinsurance up to \$10,000,000.

Alderman Gatsas asked I am just...I do not know where I got this from but it must be...it came out of my folder from last year.

Mr. Ntapalis stated it looks like something I handed you and I think I have a copy of that.

Alderman Gatsas stated it comes from the *Nashua Telegraph* and it says here they are talking about Nashua exploring options to cut insurance costs. In the article, it states "Manchester relies..." they were comparing Nashua to Manchester and why our costs...why we spent about 1.23 million on insurance in 97 and Nashua spent 2.16 and that we are self-insured and it said "Manchester relies heavily on a State set liability cap for municipalities of \$150,000 with self-insurance program".

Mr. Ntapalis replied and it is not Worker's Comp. we also self-insure as you know the casualty and maybe some of you may not know but all casualty lines for liability the cap that they are talking about and I have a copy of that article right here that I provided...they were thinking of going to self-insured as opposed to commercially insured in Nashua. It was a big step for them to have taken at that time.

Alderman Levasseur asked and that is constitutional.

Mr. Ntapalis replied in the affirmative and stated it is statutory.

Mr. Clougherty stated one benefit that we would like to talk about is Contributory Retirement. The last year was budgeted at \$151,000...the Mayor's budget for this year is \$500,000. The actuarial is going to be delivered to the trustees and it looks like the number is \$595,000. But that number is based as a result on payroll.

Alderman Gatsas asked does school in their audited statement have reserves.

Mr. Clougherty replied I do not believe so.

Alderman Wihby asked I had asked earlier if I had something else afterwards, Your Honor. Professional services on the school budget do you know what that is...is that for attorneys and accountants.

Mayor Baines replied professional services is a whole gambit of things related to attorneys, consultants, some special ed. consultant services, interpreters, it is quite an extensive breakdown. What was the number you were looking at, Alderman.

Alderman Wihby replied I am looking at the \$380,000 almost \$400,000 between professional services and contract manpower they have transferred over a million dollars from salaries and benefits and put almost a half a million of it into professional service and contract manpower.

Mayor Baines stated I have a breakdown of that for every year if you would like it.

Alderman Wihby stated I just want it for those ten months that they made this transfer for. As of April 30th they transferred over a million dollars from salary and benefits and almost half of that went into professional services and contract manpower. Another thing, Your Honor, just for the record I was watching the School Board meeting and they were talking about the contracts with the towns and there was a comment made by yourself, Your Honor, that you felt that the Aldermen wanted to maintain the existing agreement or relationship with the towns and I do not remember ever voting on that or even talking about that at this Board level.

Alderman Levasseur stated we should talk about that, Your Honor, and I think we should come up with some sort of a...did they already vote for that because I was gone.

Alderman Wihby stated my concern, Your Honor, was that I came away from watching that show you somehow were speaking for the Aldermen.

Mayor Baines replied well I could explain...it was based upon the meeting that we had about a year ago where the Aldermen went on record in support of maintaining the agreements with the existing town.

Alderman Cashin stated that is when we had the combined meeting.

Mayor Baines stated the Aldermen stated unanimously that they supported continuing the relationship with the existing towns so unless there is something that has changed that is what that was based on.

Alderman Wihby stated that was last year's contract a lot has changed in a year. I think you should go back to the School Board and let them know that the Aldermen have not discussed it in over a year.

Mayor Baines stated I would be pleased to do that.

On motion of Alderman Lopez, duly seconded by Alderman Shea, it was voted to adjourn.

A True Record. Attest.

Clerk of Committee